



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 05.07.2001
COM(2001) 374 final

REPORT FROM THE COMMISSION TO THE BUDGETARY AUTHORITY

**on guarantees covered by the general budget
- situation at 31 December 2000**

TABLE OF CONTENTS

Commission Report to the budgetary authority on guarantees covered by the general budget - situation at 31 December 2000	1
--	---

Part One: Events since the report at 30 June 2000, the risk situation and activation of budget guarantees	5
---	---

1. Introduction: types of operation	5
1.1. Operations with macroeconomic objectives	5
1.2. Operations with microeconomic objectives	5
2. Events since the report at 30 June 2000	5
2.1. Tajikistan	6
2.2. Moldova	6
2.3. Community Guarantee to the European Investment Bank for loans for projects in Croatia	6
2.4. EIB-Turkey	6
3. Risk situation	6
3.1. Amount outstanding at 31 December 2000	7
3.2. Maximum annual risk borne by the Community budget: operations disbursed at 31 December 2000	8
3.3. Maximum theoretical annual risk borne by the Community budget	8
4. Activation of budget guarantees	12
4.1. Payments from cash resources	12
4.2. Activation of the Guarantee Fund	12
4.3. Arrears at 31 December 2000	13
5. Analysis of the Community's theoretical lending and guarantee capacity in respect of non-member countries	13
6. Situation of the Guarantee Fund at 31 December 2000	14
7. Relative solidity	15

Part Two: Evaluation of potential risks: Economic and financial situation of the non-member countries benefiting from the most important loan operations	18
--	----

1. Introduction	18
2. Candidate countries	18
2.1. Bulgaria	18

2.2.	Lithuania	19
2.3.	Romania	20
3.	Western Balkans	21
3.1.	Bosnia-Herzegovina	21
3.2.	Former Yugoslav Republic of Macedonia.....	22
4.	Newly Independent States	22
4.1.	Armenia	22
4.2.	Belarus	23
4.3.	Georgia	24
4.4.	Moldova.....	24
4.5.	Tajikistan	25
4.6.	Ukraine	26
5.	Other non-member countries	27
5.1.	Algeria	27
Annex		29
1.	Explanatory notes on the situation of risks covered by the Community budget	29
1.1.	Tables 1 to 3.....	29
1.1.1.	Authorised ceiling (Table 1)	29
1.1.2.	Capital outstanding (Table 1).....	29
1.1.3.	Annual risk (Tables 2 and 3).....	30
1.2.	Loan operations covered by a budget guarantee	31
1.3.	Expected signature and disbursement of EIB loans	36
1.4.	Payment of the budget guarantee	37
1.4.1.	Borrowing/lending operations.....	37
1.4.2.	Guarantees given to third parties.....	37
2.	Methodological note on the analysis of the Community's estimated lending capacity in respect of non-member countries over the period 1999-2001 under the Guarantee Fund mechanism (Table 4)	38
2.1.	Reserve for loan guarantees to non-member countries	38
2.2.	Bases for the calculation of the provisioning of the Guarantee Fund	38
2.3.	Basis for the provisioning of the Fund in the event of a part guarantee.....	39
2.4.	Provisioning of the Guarantee Fund.....	40

2.5.	Margin remaining in the guarantee reserve	40
2.6.	Residual lending capacity	40
3.	Tables: country-risk indicators	41

Part One:

Events since the report at 30 June 2000, the risk situation and activation of budget guarantees

1. INTRODUCTION: TYPES OF OPERATION

The risks covered by the Community budget derive from a variety of lending and guarantee operations which can be divided into two categories: loans with macroeconomic objectives and loans with microeconomic objectives.

1.1. Operations with macroeconomic objectives

The first of these are the balance-of-payments loans for Member States or non-member countries, normally carrying strict economic conditions and undertakings.

This category includes the loan of € 1 250 million to finance imports of agricultural products and foodstuffs into the former Soviet Union, since the risk involved in this operation depends to a large extent on macroeconomic and political developments in the recipient countries.

1.2. Operations with microeconomic objectives

These are loans to finance projects which are usually repaid over the long term from funds which these projects are expected to generate; as a rule, they are granted to companies, financial institutions or non-member countries and, in addition to the Community guarantee, are covered by the usual guarantees demanded by banks.

This covers Euratom and NCI loans in Member States and the Euratom and EIB loans outside the Community (Mediterranean countries, central and eastern Europe, countries of Asia and Latin America, Republic of South Africa).

2. EVENTS SINCE THE REPORT AT 30 JUNE 2000

The main events in the second half of 2000 were as follows:

2.1. Tajikistan

On 20 March 2000 the Council decided to amend Decision 97/787/EC providing exceptional financial assistance for Armenia and Georgia in order to extend it to Tajikistan. The amount to be granted is € 75 million in the form of a loan.

2.2. Moldova

On 10 July 2000 the Council decided to grant supplementary macro-financial assistance of up to € 15 million to Moldova in the form of a loan.

2.3. Community Guarantee to the European Investment Bank for loans for projects in Croatia

On 7 November 2000 the Council decided to amend Decision 2000/24/EC to extend the Community guarantee to the European Investment Bank to projects in Croatia. The amount of these loans is subject to an overall ceiling of € 250 million to be granted for a period of four years. The guarantee is limited to 65% of the overall ceiling of € 250 million decided on by the Council.

2.4. EIB-Turkey

On 4 December 2000 the Council decided to amend Decision 2000/24/EC so as to establish an EIB special action programme in support of the consolidation and intensification of the EC-Turkey customs union. Under this Decision, the Community guarantee for the loans granted to Turkey is limited to 65% of the overall ceiling of € 450 million decided on by the Council.

3. RISK SITUATION

There are two possible methods for evaluating the risks borne by the Community budget:

- the method, often used by bankers, of the total amount of capital outstanding for the operations concerned on a given date (the situation described in Table 1 below),
- the more budgetary approach of calculating the maximum amount which the Community could have to pay out in each financial year.

The second approach itself has been applied in two different ways:

- by reference only to actual disbursements at 30 June 2000, assuming that there are no early repayments (see Table 2 below showing the lower limit of this maximum risk to the Community budget);
- on a more forward-looking basis, by reference to all the operations decided by the Council or proposed by the Commission in order to estimate the impact on future budgets, assuming that the Commission's proposals are accepted (see Table 3 below showing the upper limit of this maximum risk borne by the Community budget).

The latter exercise gives some idea of the future level of risks connected with the proposals made. However, a number of assumptions have to be made about dates of disbursement and terms of repayment (details are given in the annex) as well as interest¹ and exchange rates².

The results are shown in Tables 1 to 3, which make separate assessments of the risks relating to countries inside the Community and countries outside the Community.

¹ An average interest rate of 10% is assumed for EIB loans. The average interest rate assumed for borrowing and lending operations is 4.4%. An interest rate of 4.89188% has been applied for the new operations in Table 3.

² The exchange rates used for loans in currencies other than the euro are those of 31 December 2000.

The overall figures quoted cover risks of different types; loans to one country in the case of macrofinancial assistance and loans for projects guaranteed by the borrowers in the case of NCI and EIB operations, for example.

The following analysis distinguishes between total risk, the risk in respect of Member States and the risk in respect of non-member countries.

3.1. Amount outstanding at 31 December 2000

The amount outstanding is set out in Table 1.

The total risk at 31 December 2000 came to € 13 808 million, as against € 13 783 million at 30 June 2000, an increase of 1%³.

The following table shows the operations which have had an effect on the amount outstanding since the last report.

€ million	
Amount outstanding at 30 June 2000	13 783
Loan repayments	
Balance of payments: Italy	- 1 049.0
Euratom	- 1.3
NCI	- 28.6
Financial assistance	- 55.0
Former Soviet Union	0.0
EIB	- 345.24
Loans disbursed	
Financial assistance	+ 60
EIB	+ 1 071.25
Exchange rate differences between the euro and other currencies	+ 84.11
Amount outstanding at 31 December 2000	13 808

The capital outstanding in respect of operations in the Member States was € 133 million at 31 December 2000, a fall of 89% compared with 30 June 2000.

This fall is mainly due to the repayment of € 1 049.0 million in balance of payments loans to Italy.

The capital outstanding from non-member countries at 31 December 2000 was € 13 675 million, an increase of 8.5% compared with 30 June 2000.

3.2. Maximum annual risk borne by the Community budget: operations disbursed at 31 December 2000

The maximum annual risk is set out in Table 2.

³ Part of the change over the past six months is due to exchange rate differences on loans in currencies other than the euro.

The total risk for the first half of 2001 comes to € 1 638 million.

- The risk in respect of the Member States comes to € 92 million.
- The risk in respect of non-member countries comes to € 1 546 million.

The risk in respect of non-member countries will average € 1 004 million over the period 2001-2009.

3.3. Maximum theoretical annual risk borne by the Community budget

The situation is set out in Table 3.

This risk comes to € 1 564 million during 2001. It will increase from 2002 onwards and reach € 4 041 million in 2009.

- The trend in the maximum risk in respect of the Member States is the same as in Table 2.
- The risk in respect of non-member countries amounts to € 1 473 million for 2001. The risk will increase from 2002 onwards to reach € 4 041 million by 2009.

TABLE 1
CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED
(EUR million)

Operation	Authorised ceiling	Capital outstanding at 30.06.00	Capital outstanding at 31.12.00	Remainder to be disbursed 31.12.00
MEMBER STATES				
A. Balance of payments	14000			
1. Italy		1000	0	0
B. Other				
2. Euratom	4000	1	0	0
3. NCI and NCI earthquake	6830	118	90	0
4. EIB Mediterranean Spain, Greece, Portugal	1500	63	43	0
MEMBER STATES - TOTAL	26330	1182	133	0
NON-EU COUNTRIES				
A. Financial assistance				
1. Bulgaria	750	400	460	0
2. Romania	780	225	225	100
3. Algeria	600	250	250	100
4. Former Yugoslav Republic of Macedonia	90	40	40	50
5. Bosnia-Herzegovina	20	10	10	10
6. Baltic States	220	75	25	85
7. Moldova	75	60	55	15
8. Ukraine	435	343	343	92
9. Belarus	55	30	30	25
10. Georgia	142	100	100	32
11. Armenia	28	23	23	0
12. Tajikistan	75			75
13. Former Soviet Union(*)		55	55	0
B. Other				
14. EIB Mediterranean(**)	15697	4781	5089	2630
15. EIB Central and Eastern Europe	17150	4702	5124	2202
16. EIB Asia, Latin America	4405	1117	1251	717
17. EIB South Africa	1500	391	596	229
NON-EU COUNTRIES - TOTAL	42022	12602	13675	6362
GRAND TOTAL	68352	13784	13808	6362

(*) The EUR 54.5 million outstanding corresponds to the principal due but not paid at 31.12.00.

(**) The amount outstanding has been increased by EUR 55.2 million to take account of the principal due but not paid at 31.12.00.

ANNEX TO TABLE 1
SITUATION IN RESPECT OF EIB OPERATIONS AT 31.12.00

Operations	Loans authorised	Loans made available minus cancellations	Amounts disbursed	Amounts outstanding at 31.12.00
Mediterranean: Member States	1500	1465	1749	43
Non-EU countries, old mandates:				
Mediterranean Protocols	6362	5819	5959	3912
Central and Eastern Europe I and II	4700	4142	4064	3287
Asia, Latin America I and II	903	757	766	635
South Africa	300	300	271	271
Non-EU countries: decision of 14.04.97				
Mediterranean	2310	2310	1021	1019
Central and Eastern Europe	3520	3423	1788	1772
Asia, Latin America	1022	1022	618	616
South Africa	375	375	199	199
FYROM: decision of 19.05.98	150	130	45	45
Bosnia: decision of 14.12.98	100	60	0	0
Turkey: decision of 29.11.99	600	375	150	150
Non-EU countries: decision of 22.12.99				
Mediterranean	6425	701	8	8
Central and Eastern Europe	8680	1347	20	20
Asia, Latin America	2480	96	0	0
South Africa	825	397	126	126
Total	40252	22719	16784	12103

Note: As loans are disbursed in national currency, the loan ceiling may be exceeded when the amounts disbursed up to the date of the report are converted into EUR.

TABLE 2
MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET
(Estimate in ECU million based on all operations disbursed at 31.12.00)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL
MEMBER STATES										
CAPITAL										
A. Balance of payments										
1. Italy										
B. Structural loans										
2. Euratom										
3. NCI and NCI earthquake	71				18					89
4.EIB Mediterranean										
Spain, Greece, Portugal	11	12	13	5	3					44
Capital - subtotal	82	12	13	5	21	0				133
INTEREST										
A. Balance of payments										
1. Italy										
B. Structural loans										
2. Euratom										
3. NCI and NCI earthquake	7	2	2	2						13
4. EIB Mediterranean										
Spain, Greece, Portugal	3	2	1							6
Interest - subtotal	10	4	3	2						19
MEMBER STATES - TOTAL	92	16	16	7	21					152
NON-EU COUNTRIES										
CAPITAL										
A. Financial assistance										
5. Bulgaria	70		40		63	73	88	88	25	447
6. Romania		55		70			25	25	25	200
7. Algeria	150	100								250
8. FYROM								5	8	13
9. Bosnia										0
10. Baltic States		25								25
11. Moldova	9	12	12	12	7	3				55
12. Ukraine	17	37	57	57	57	55	35	15	15	345
13. Belarus	6	6	6	6	6					30
14. Georgia									22	22
15. Armenia									6	6
B. Guarantees										
16. EIB Mediterranean	301	352	406	403	405	419	424	420	385	3514
17. EIB Cent. & Eastern Europe	241	256	356	415	414	341	276	235	267	2801
18.EIB Asia, Latin America	61	89	113	119	118	121	164	123	61	969
19. EIB South Africa	26	24	25	55	20	21	56	35	96	359
Capital - subtotal	881	957	1015	1137	1090	1033	1068	947	910	9036
INTEREST										
A. Financial assistance										
5. Bulgaria	23	19	19	17	16	13	10	6	2	125
6. Romania	11	11	8	8	5	5	4	3	2	57
7. Algeria	16	5								21
8. FYROM	2	2	2	2	2	2	2	2	2	18
9. Bosnia	1	1	1	1	1	1	1	1	1	9
10. Baltic States	1	1								2
11. Moldova	3	2	2	1	1					9
12. Ukraine	17	16	14	12	9	6	3	1	1	79
13. Belarus	1	1	1	1						4
14. Georgia	5	5	5	5	5	5	5	5	5	45
15. Armenia	1	1	1	1	1	1	1	1	1	9
B. Guarantees										
16. EIB Mediterranean	280	260	239	216	194	171	148	125	102	1734
17. EIB Cent. & Eastern Europe	197	179	165	145	124	105	88	75	63	1142
18. EIB Asia, Latin America	68	55	51	48	44	40	36	32	28	401
19. EIB South Africa	40	33	30	28	22	22	22	17	14	229
Interest - subtotal	666	591	538	485	424	371	321	268	222	3884
NON-EU COUNTRIES - TOTAL	1546	1547	1553	1621	1514	1404	1388	1215	1132	12920
GRAND TOTAL	1638	1563	1569	1628	1535	1404	1388	1215	1132	13072
(Eastern Europe)	546	549	590	658	624	540	494	441	396	4839
(Other non-EU countries)	1000	998	962	963	889	864	894	774	737	8082

TABLE 3
MAXIMUM THEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET
(Estimate in EUR million based on all operations ddisbursed, adopted and proposed by the Commission)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL
MEMBER STATES										
CAPITAL										
A. Balance of payments										
1. Italy										
B. Structural loans										
2. Euratom and NCI	71			18						89
3. EIB Spain, Greece, Portugal	11	12	13	5	3					44
Capital - subtotal	82	12	13	23	3	0				133
INTEREST										
A. Balance of payments										
1. Italy										
B. Structural loans										
2. Euratom and NCI	7	2	2	2						13
3. EIB Spain, Greece, Portugal	3	2	1	0	0					6
Interest - subtotal	10	4	3	2	0	0				19
MEMBER STATES - TOTAL	92	16	16	25	3	0				152
NON-EU COUNTRIES										
CAPITAL										
A. Financial assistance										
4. Bulgaria	70	0	40	0	63	73	88	88	25	447
5. Romania		55	0	70	0	0	50	50	50	275
6. Algeria	150	100	0							250
7. FYROM								5	8	13
8. Bosnia										0
9. Baltic States	0	25	0							25
10. Moldova	9	12	12	12	7	6	3	3	3	67
11. Ukraine	17	37	57	57	57	73	53	33	33	417
12. Belarus	6	6	6	6	6	0				30
13. Georgia									22	22
14. Armenia									6	6
15. Albania										0
16. Tajikistan	75									75
17. Euratom C. & Eastern Europe		94	177	270	217	153	113	73	27	1124
B. Guarantees										
18. EIB Mediterranean	291	329	411	459	527	641	788	801	835	5082
19. EIB Centr. & Eastern Europe	299	245	411	599	632	685	814	855	817	5357
20. EIB Asia, Latin America	71	101	112	133	124	189	215	242	234	1421
21. EIB South Africa	46	53	59	68	74	78	97	87	178	740
Capital - subtotal	1034	1057	1285	1674	1707	1898	2221	2237	2238	15351
INTEREST										
A. Financial assistance										
4. Bulgaria	23	19	19	17	16	13	10	6	2	125
5. Romania	13	16	13	13	9	9	9	6	4	92
6. Algeria	16	5								21
7. FYROM	3	4	4	4	4	4	4	4	4	35
8. Bosnia	1	1	1	1	1	1	1	1	1	9
9. Baltic States	1	1								2
10. Moldova	3	3	2	2	1	1	1			13
11. Ukraine	19	21	19	16	13	10	7	4	2	111
12. Belarus	1	1	1	1						4
13. Georgia	5	5	5	5	5	5	5	5	5	45
14. Armenia	1	1	1	1	1	1	1	1	1	9
15. Albania	0	1	1	1	1	1	1	1	1	8
16. Tajikistan	1	3	3	3	3	3	3	3	3	24
17. Euratom C. & Eastern Europe	0	4	8	13	10	7	5	3	2	52
B. Guarantees										
18. EIB Mediterranean	152	315	374	453	535	601	652	628	641	4351
19. EIB C. & Eastern Europe	141	292	369	473	584	677	757	758	766	4817
20. EIB Asia, Latin America	37	69	95	129	164	193	214	211	217	1329
21. EIB South Africa	22	46	51	60	70	78	101	126	154	708
Interest - subtotal	439	807	966	1192	1417	1604	1771	1757	1803	11755
NON-EU COUNTRIES - TOTAL	1473	1864	2251	2866	3124	3502	3992	3994	4041	27106
GRAND TOTAL	1564	1880	2267	2891	3127	3502	3992	3994	4041	27258
(Eastern Europe)	551	757	1043	1461	1537	1623	1852	1850	1707	12381
(Other non-EU countries)	922	1107	1208	1405	1587	1879	2140	2144	2334	14725

4. ACTIVATION OF BUDGET GUARANTEES

4.1. Payments from cash resources

The Commission draws on its cash resources under Article 12 of Council Regulation No 1150/2000 of 22 May 2000 implementing Decision 88/376/EEC, Euratom on the system of the Communities' own resources in order to avoid delays and resulting costs in servicing its borrowing operations when a debtor is late in paying.

4.2. Activation of the Guarantee Fund

Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 established a Guarantee Fund for external action. In the event of late payment by a recipient of a loan granted by the Community, the Guarantee Fund is called on to cover the default within three months of the date on which is payment is due. If a borrower defaults on an EIB loan guaranteed by the Community budget, the Community will act within three months of receiving a letter from the Bank calling for the guarantee to be activated. The Commission will then authorise the Bank to take the corresponding amounts from the Guarantee Fund.

Default interest for the time between the date on which cash resources are made available and the date of activation of the Fund is drawn from the Fund and repaid to the cash resources.

In the last six months the Fund has been called on to honour guarantees for the following debtors:

Non-member country	Date	Amount (principal + interest)
Former Yugoslavia		
Vojvodina	05.09.00	2 223 189.91
Serbia	05.09.00	2 832 264.09
Kosovo	05.09.00	15 572.92
Vojvodina	26.12.00	997 766.73
Serbia	26.12.00	5 712 487.22
Total		11 781 280.87

4.3. Arrears at 31 December 2000⁴

Arrears due from non-member countries

Non-member country	Guarantees activated (2)	Default interest (3)	Total
Tajikistan	63 181 389. 89	14 870 676. 30	78 052 066. 19
Vojvodina (1)	32043629.78		
Serbia (1)	86636697.69		
Montenegro (1)	459 653.54		
Kosovo (1)	222320.61		
Subtotal former Yugoslavia	119 362 301.54	27 105 566.70	146 467 868.24
Total	182 543 691.43	41 976 243.00	224 519 934.33

1) The breakdown of unpaid amounts between the republics of former Yugoslavia is intended as a guide.

2) The guarantees activated in respect of EIB operations include amounts not paid on time and the default interest incurred when the Community guarantee enters into force.

3) Default interest entered in the accounts between the date on which the guarantee is activated and the date of the report. For the former Yugoslav republics the amount shown is the overall total.

5. ANALYSIS OF THE COMMUNITY'S THEORETICAL LENDING AND GUARANTEE CAPACITY IN RESPECT OF NON-MEMBER COUNTRIES

In practice, the Guarantee Fund and reserve facility limits the Community's lending and guarantee capacity to non-member countries, since the appropriations available for provisioning the Fund whenever a new lending decision (or any annual tranche in the case of guarantees for multiannual operations) is adopted are limited by the amount entered for the guarantee reserve in the Financial Perspective⁵.

At any given time, lending capacity corresponds to the margin remaining in the guarantee reserve. This margin is equal to the difference between the reserve and the estimated amount needed to provision the Guarantee Fund for operations which have already been adopted and which are in preparation.

Table 4 shows an estimate of the Community's lending capacity in respect of non-EU countries over the period 2001-2004 in line with the Guarantee Fund mechanism. The method of calculation and references to legal texts are set out in greater detail in the Annex.

⁴ Arrears due from Tajikistan on the € 1 250 million loan which the Community granted to the former Soviet Union and its republics and arrears on the EIB loan granted to former Yugoslavia under the Mediterranean protocols. The figures include defaults covered by the budget.

⁵ The figure entered in the 2000-2006 Financial Perspective is € 200 million at 1999 prices.

On the basis of the decisions adopted by the Council and decisions proposed and in preparation (see Table 4), € 204.75 million is expected to be used from the guarantee reserve during the 2001 financial year, leaving € 3.25 million available at the end of the year.

If account is taken of the effect on the guarantee reserve of the provisioning of the Fund in respect of loans already decided and loans proposed and in preparation for 2001, the annual capacity available for loans is as follows:

- € 36.1 million for loans with a 100% guarantee under the Community budget, or
- € 55.54 million for loans with a 65% guarantee (in accordance with Council Decision 2000/24/EC of 22 December 1999).

The current estimates in Table 4 for the provisioning of the Fund in 2001 show that the remaining lending capacity is very limited.

6. SITUATION OF THE GUARANTEE FUND AT 31 DECEMBER 2000

At 31 December 2000, outstanding lending and loan guarantee operations for non-member countries plus unpaid interest due totalled € 14 068.8 million.

€ million

	Situation au 31.12.00
1. Capital outstanding, borrowing and lending	1561
2. Capital outstanding, EIB	12 103
3. Capital outstanding, payment defaults	189.70
4. Default interest	50.5
Unpaid interest due ⁶	164.6
TOTAL	14 068.80

The ratio between the Fund's resources and outstanding capital liabilities within the meaning of the Regulation establishing the Fund was 10.17%, which is higher than the target figure of 9% set in Regulation No 1149/1999 amending Regulation No 2728/94 establishing the Fund. The rules state that "at the end of a year ... the surplus shall be paid back to a special heading in the statement of revenue in the general budget of the European Communities". The surplus of € 165.36 million at the end of the 2000 financial year will be repaid to the budget in the first half of 2001.

The Guarantee Fund could amount to around € 1 606 million at the end of 2001 assuming:

- a transfer of € 201.6 million from the 2001 reserve;
- no further defaults requiring activation of the Fund other than call made in April 2001 concerning € 4.5 million;
- late repayment by Tajikistan of € 78.9 million in arrears;

⁶ Unpaid interest due within the meaning of the Regulation establishing the Guarantee Fund.

- net revenue of around € 55.3 million on investments from the Fund's assets in 2000.

7. RELATIVE SOLIDITY

The ratio between the amount in the Fund at 31 December 2000 (€ 1 432 million) and the maximum annual risk for loans to non-member countries (defined as the total amount falling due) shown for 2001 in Table 3 (€ 1 473 million) is 97%.

TABLE 4
THE COMMUNITY'S THEORETICAL ESTIMATED LENDING AND GUARANTEE CAPACITY IN RESPECT OF NON-MEMBER COUNTRIES
OVER THE PERIOD 2000-2004 under the Guarantee Fund mechanism

Year	2000		2001		2002		2003		2004	
	Loan amounts	Amounts paid in	Loan amounts	Amounts paid in	Loan amounts	Amounts paid in	Loan amounts	Amounts paid in	Loan amounts	Amounts paid in
Amount of the Reserve		203		208		212		216		221
1. EIB loans										
Decided operations										
Mediterranean Basin, Syria, 4th Financial Protocol	75,00	6,75	15,00	1,01						
mandate 1997-2000	140,00	8,82		0,95						
mandate 2000-2007	2.210,09	129,29	2.993,00	167,19	3.111,50	182,02	3.039,50	177,81	3.102,00	181,47
Turkey: reconstruction aid	95,01	5,56		0,00						
Extension of the general mandate to Croatia (2000/68/EC)	124,96	7,31			62,50	3,66	62,50	3,66		
Extension of the general mandate to Turkey (financial cooperation for the customs union)	350,00	20,48					50,00	2,93	50,00	2,93
Planned operations										
Extension of the general mandate to the FR of Yugoslavia			70,00	4,10	150,00	8,78	130,00	7,61		
Baltic Sea special action			100,00	5,85						
2. MACROFINANCIAL ASSISTANCE										
Approved operations										
Albania III, Bosnia II, Bulgaria IV, Romania IV, FYROM	75,00	6,75								
Tajikistan	15,00	1,35								
Moldova III										
Planned operations										
Balkans (FYR, Bosnia, Croatia)			250,00	22,50						
3. EURATOM		-0,01								
Planned operations										
Ukraine									154,00	13,86
Romania					127,00	11,43	127,00	11,43	146,00	13,14
Use of the reserve (1+2+3)		186,30		201,61		205,88		203,43		211,39
Margin within the reserve (after provisioning of above-indicated loans)		16,70		6,39		6,12		12,57		9,61
Residual lending capacity for macrofinancial assistance		185,63		71,04		67,96		139,70		106,76
Residual lending capacity for EIB loans		285,59		109,30		104,55		214,92		164,24

Description of the loans for which the Fund will be provisioned in the period 2000-2004:

1 - EIB

a. Mediterranean:

- approved loans: from 1994 to 1996: EUR 115 million under the Fourth Financial Protocol with Syria (overall 75% guarantee).
- from 31.01.97 to 31.01.2000: EUR 2310 million under the renewal of the EIB mandate, covered by an overall 70% guarantee.
- From 1999 to 2001: EUR 600 million for reconstruction aid to Turkey after the earthquake in that country (overall 65% guarantee)
- from 1 February 2000 to 31 January 2007: EUR 6 425 million under the EIB mandate 2000-2007, covered by an overall 65% guarantee.
- From 2000 to 2004: EUR 450 million as part of financial cooperation under the customs union with Turkey.

b. Central and Eastern European countries:

- approved loans: from 31.01.97 to 31.01.2000: EUR 3520 million under the renewal of the EIB mandate, covered by an overall 70% guarantee.
- From 1998 to 2000: EUR 150 million in EIB loans to the Former Yugoslav Republic of Macedonia (FYROM), covered by an overall 70% guarantee.
- From 1999 to 2000: EUR 100 million in EIB loans to Bosnia, covered by an overall 70% guarantee.
- From 1 February 2000 to 31 January 2007: EUR 8 680 million under the EIB mandate 2000-2007, covered by an overall 65% guarantee.
- From 2000 to 2003: 250 million euros as part of financial cooperation with Croatia.
- loans proposed or in preparation:
- From 2001 to 2002: EUR 50 million in EIB loans to Montenegro

c. Latin America and Asia:

- approved loans: From 31.01.97 to 31.01.2000: EUR 900 million under the renewal of the EIB mandate, covered by an overall 70% guarantee.
- From 1 February 2000 to 31 January 2007: EUR 2 480 million under the EIB mandate 2000-2007, covered by an overall 65% guarantee.

d. South Africa:

- approved loans: From 1.07.97 to 1.07.2000: EUR 375 million under the renewal of the EIB mandate, covered by an overall 70% guarantee.
- From 1er juillet 2000 to 31 January 2007: 825 EUR million under the EIB mandate 2000-2007, covered by an overall 65% guarantee.

2 - Euratom

No further provisioning

3 - Macrofinancial assistance

- approved loans 2000: EUR 75 million in loans to Tajikistan; EUR 15 million in loans to Moldova,
- loans proposed or in preparation:
- 2001: EUR 250 million in loans for the western Balkans, excluding the Former Yugoslav Republics.

Part Two :

Evaluation of potential risks : Economic and financial situation of the non-member countries benefiting from the most important loan operations

1. INTRODUCTION

The figures given in the previous part provide information on quantitative aspects of the risk borne by the general budget. However, these data should be weighted in accordance with aspects relating to the quality of the risk, which depend on the type of operation and the standing of the borrower. Recent events which may influence the portfolio country risk are analysed below.

The country risk evaluation presented in this Part Two provides a set of country risk indicators, in the form of a full page table per country (see Annexes), for all non-member countries that have been recipients of EC macro-financial assistance and which still have outstanding debts toward the EC. To complement this, textual analysis is provided for those countries where significant new information influencing the risk evaluation has become available since the previous report covering the first six months of 2000.

The evaluation in this section does not deal with other regions than those mentioned, mainly because community exposure elsewhere (notably through guarantees of EIB lending) represents only a small fraction of total exposure and is also well diversified among countries.

2. ACCESSION COUNTRIES

2.1. Bulgaria

In 2000 growth accelerated in Bulgaria from 2.4 % to 5.2 % (2000H1) due to favourable internal and external developments. Growth is expected to be around this rate in 2001 and 2002 as well. Exports are growing faster than imports so that the trade deficit can be expected to narrow in the coming years.

While inflation fell as a result of the establishment of the Currency Board in 1997 from hyperinflation levels to well under 10 % per year, it has recently rebound. Primarily due to higher fuel prices, consumer price inflation rose to 12 % recently (October 2000). Unemployment reached a peak in early 2000 (19 %), but has fallen slowly to some 17.8 % in September. Seasonally high employment in agriculture and tourism in combination with newly created jobs in the service sector contributed to the growth in jobs.

Bulgarian public finances remain sound. In 1999 a one % deficit was realised, but while for 2000 and 2001 a 1.5 % deficit is foreseen, monthly budget surpluses are generated on a consolidated basis, chiefly as a result of unexpectedly high indirect tax revenues.

2.2. Lithuania

Since the beginning of the year 2000, the economy is recovering from the impact of the Russian crisis, which in 1999 had led to a decline in GDP by 4.2%. During the first three quarters of 2000, real GDP rose by 2.3%. The main driving force for the recovery has been strong exports, while low growth of disposable income has been dampening domestic demand. Based on expected solid growth of Lithuania's export markets and improving domestic demand, GDP growth is seen to accelerate in the near future, exceeding 3% next year and reaching 4% in 2002.

Consumer price inflation has been particularly low recently, due to weak domestic demand and the strength of the litas vis-à-vis the euro, which dampens the price rise of imported commodities. The annual increase of consumer prices declined from 2.4% in 1998 to 0.3% in 1999. During the first eleven months of 2000, the index of consumer prices rose by 1% compared to the same period a year before. Despite some inflationary effects of price liberation and increasing world prices for raw materials, inflation is seen to remain on a relatively low level in the near future.

Unemployment has continued to rise throughout the year, reflecting relatively subdued growth and economic restructuring. Registered unemployment has increased from 6.4% in 1998, to 8.4% in 1999 and to 11.7% in the third quarter of 2000. Since the labour shedding effect of restructuring continues the unemployment rate might remain on a high level.

During this year, public finances have improved significantly, after a sharp deterioration in the aftermath of the Russian crisis, when attempts to cushion the negative external impact had led to an increase in the general government deficit from 1.8% in 1997 to 8.6% in 1999. In November 1999, the parliament has approved an "anti-crisis" programme, which incorporated a significant tightening of the fiscal stance, in order to correct the fiscal and the external imbalances. The main elements of this programme are front-loaded expenditures cuts, the postponement of the last tranche of the savings restitution and medium-term structural measures, like stabilising the social security system. In early March 2000, a pre-cautionary IMF stand-by agreement has been signed in order to avoid potential liquidity constraints. Despite a slower than expected recovery, the fiscal consolidation is largely on track, which could reduce the deficit to about 3¼% of GDP this year. The budget proposal for 2001 foresees a further deficit reduction to 1½% of GDP.

Based on stronger export growth and weak domestic demand, the alarmingly high current accounts deficit has been improving since the beginning of 2000, declining from 11.2% of GDP at the end of 1999 to 4.3% in mid-2000. Given the expected pick-up in domestic demand, the external deficit might remain relatively high in the near future.

Foreign direct investment has remained relatively unaffected by the economic slowdown and has contributed to the financing of the current account deficit.

Structural reforms have been moving forward during the year 2000, although the reform dynamics have slowed down during the preparations for general elections in the autumn. The newly elected government has announced to maintain the reform and EU integration oriented approach of its predecessor.

2.3. Romania

After three years of recession, Romania enjoyed a modest increase in economic activity during 2000. Preliminary half-year data suggests that the economy grew by 2.1 %. Industrial production data for October was 8.2 % higher than the same period last year, confirming the moderate upturn in activity. The external sector is the chief source of the recovery, as the acceleration of EU growth has increased demand for exports. Both investment and private consumption growth have also picked up slightly.

The current account narrowed during the first nine months of 2000. The cumulative deficit fell to USD 682 million compared to USD 781 million for the same period last year. Export receipts during the first half of this year, in terms of US dollars, recorded 27 % growth and reached its highest level in ten years. Imports have also surged, albeit at a slightly lower rate than exports, while the services balance has improved slightly. Nonetheless, a large component of the correction is due to the current transfers surplus, which increased significantly compared to 1999, and which places a question mark on the quality of the current account improvement.

Due to the uncertain macroeconomic environment, FDI inflows declined during the first half of 2000. In the first six months of this year, gross FDI inflows reached about USD 347 million compared to USD 688 million last year. Nevertheless, concerns about Romania's external creditworthiness and its capacity to service its foreign debt obligations have subsided as the authorities have made full and timely payment of external obligations.

The current fiscal position is weak. After a limited tightening in 1999, the fiscal stance was loosened in 2000. Although the upturn in economic activity boosted tax revenues, excessive increases in public sector wages, higher than expected interest payments, and growing tax arrears placed severe strains on fiscal policy management. While the government has introduced various measures designed to increase tax payments and limit the growth of inter-enterprise arrears, these initiatives have not been met with any success. The immediate prospects are highly uncertain as the new government is under growing pressure to increase expenditure in the aftermath of the parliamentary and presidential elections.

There is little sign that inflation has started a downward path. In September, the year-on-year inflation rate was 41.3 %. Loose monetary conditions placed significant downward pressure on the nominal exchange rate. Between January and October the Lei has fallen by a third against the US dollar and 14 % against the Euro.

On 7 June 2000, the Romanian authorities reached agreement with the International Monetary Fund on the completion of the first review and on the extension of the stand-by arrangement. However, by Autumn it was clear that the Romanian government could not deliver its earlier commitments to reduce arrears in the state-owned enterprises and limit the growth of public sector wages. In addition, there have also been difficulties in meeting the IMF's conditionality on restructuring ailing state-owned banks, which continued to draw upon public resources to maintain liquidity. As a consequence, it is unlikely to receive further tranches of the stand-by.

3. WESTERN BALKANS

3.1. Bosnia and Herzegovina

GDP growth in 1999, adversely affected by the Kosovo crisis, is estimated to have recorded 9%. For the year 2000, the authorities had originally foreseen GDP growth in the range of 12-15%. However, the actual outcome is likely to be lower due to the adverse impact of one of the worst droughts experienced by BiH in recent years. High economic growth has had little impact on unemployment with an officially estimated 36% of the labour force without employment as of May 2000 according to the World Bank..

Adherence to the rules of the currency board arrangement (CBA) has contributed to moderate inflationary pressures. Annual inflation measured in Konvertible Marka (KM), the currency issued by the currency board since mid-1998, is expected to record 3% for the year 2000 in both Entities. As of end-2000, the acceptance of the KM, in BiH appears to be almost universal. The sharp rise in the foreign reserves held by the Central Bank bear witness to this; at end 1999, they stood at 866 million KM (covering about 2.5 months of imports) compared to 300 million KM in end-1998. On the fiscal side, the overall fiscal deficits to GDP ratios (before grants) were initially projected at 1.6% and 3.3% for the Federation and the RS, respectively (1.1% and 2.1% after grants). However, larger than expected deficits as a result of increased spending on wages and pensions and shortfalls in revenues have forced both Entities to take actions to bring in line current expenditure with available resources. .

The current account deficit declined significantly in 1999 (to about 21 % of GDP, as compared to 32% in 1998) as a result of slower-than-planned implementation of reconstruction projects and a slower growth of private domestic demand. This deficit is projected to have declined further in 2000 and will remain mainly financed by donor assistance. Foreign debt remains at high levels (about 70 % of GDP in 1999), which partly is the result of a substantial debt burden inherited from the former Socialist Republic of Yugoslavia. Debt service as a percentage of exports of goods and services however, is relatively low, reflecting the concessional nature of much of the debt as well as favourable debt rescheduling agreements with the London and Paris Clubs.

In May 1998, the IMF approved the SBA (USD 81 million). In June 1999, the IMF decided to augment its assistance by USD 23 million as a result of the adverse impact of the Kosovo crisis. Following some delays in policy implementation, the fourth and the fifth IMF reviews were completed on December 22, 2000 and the programme was extended to May 2001. As far as country risk indicators for BiH are concerned, there is no specific information available as institutions do not provide with any ratings for the country. The general risk perception of undertaking investment in the country remains high.

3.2. Former Yugoslav Republic of Macedonia

The risk to the Community budget stemming from the guarantees for loans to the country was slightly reduced in the second half of 2000, as the economic situation brightened while the external balance remained fragile.

Economic activity was quite strong in 2000 as real GDP is estimated to have grown by some 6%. Immediately after the end of the Kosovo crisis demand was driven by exports to the Kosovo region as well as by the presence of international relief and military personnel in the country itself. Subsequently, this transformed into a more broadly based upswing in economic activity, with private consumption contributing significantly in the run up to the introduction of VAT in April. Thus, at the outset net exports contributed to the upswing in economic activity, but for the year as a whole the broader based growth implied that imports grew faster than exports. The current account deficit grew from some 4.0% of GDP in 1999 to an estimated 6.5% of GDP in 2000, due to a worsening of the trade balance. Growth is entirely driven by domestic demand, both private consumption and investment. However, exports may very well be under-recorded, as suggested by a significant increase in currency reserves due to “errors and omissions”.

In spite of this, official gross reserves have been increasing from 3.0 months of imports in 1999 to an estimated 3.5 months of imports by 2000, broadly equivalent to the level recommended by the IMF. The debt service ratio fell slightly from 13.0% of exports in 1999 to some 12.4% of exports in 2000. Further reduction in the debt service ratio is expected for 2001. On the other hand, the external debt to GDP ratio continued to worsen as it grew by over two percentage points to 45.7% of GDP. The ratio has grown by over 14 percentage points in just three years.

After prolonged negotiations the authorities reached an agreement on a three-year financial arrangement with the IMF under the Poverty Reduction and Growth Facility and the Extended Fund Facility arrangement (some SDR 34.5 million) which was approved on 29 November. The previous Fund facility (ESAF) covering 1997-2000 had expired in April 2000 without being formally completed.

Furthermore, the World Bank Board approved a second Financial and Enterprise Sector Adjustment Loan (FESAL II) on 14 December. The authorities are also negotiating a Public Sector Adjustment Loan (PSAL) with the World Bank.

After the agreement with the IMF on a new economic programme the Community macro-financial assistance decided by the Council on 8 November 1999 is now under implementation. The assistance amounts to up to EUR 80 million, of which up to EUR 50 million in loans and up to EUR 30 million in grants. The EUR 20 million grant element of the first tranche, which totals EUR 30 million, was released on 29 December, with the loan part (EUR 10 million) being released in January 2001.

4. NEWLY INDEPENDENT STATES

4.1. Armenia

After a stagnation in early 2000, GDP growth accelerated to around 4 % year on year over the first 10 months of the year, despite the fact that agricultural production was affected by a severe drought during the summer.

In 2000, budget revenues continued to be below projected levels, resulting in expenditure cuts and a rapid build up in expenditure arrears (above 5 % of GDP, of which social arrears). Inflation was halted, with a price decline of about 0.5 % despite a substantial

increase in energy prices. The Armenian currency depreciated by about 6 % in nominal terms against the USD in 2000.

In the first eight months of 2000, the trade turnover increased by 13 % (year on year) to USD 740 million. However, the trade deficit grew slightly year on year in the first nine months of the year, despite a substantial acceleration of export growth. The trade and current account deficits are expected to remain very high (above 20 % of GDP) in the coming years, as long as the external commercial blockade resulting from the unsettled Nagorno-Karabakh conflict will remain in force.

The total volume of FDI substantially increased for the first half of 2000, reflecting heavy inflows from established foreign investors and resurgent investment from Russia. Foreign exchange reserves were still comfortable at more than 3 months of imports. External debt amounted to around USD 850 million or 47 % of GDP at the end of 1999, while its servicing was equivalent to 17 % of budget revenue.

The Armenian government's programme is focused on the fight against corruption and the shadow economy, and the restoration of political and economic stability. The main question dominating Armenian domestic and foreign policy is the settlement of the conflict with Azerbaijan over Nagorno-Karabakh. The international negotiations conducted in the framework of the OSCE/Minsk Group have so far failed to bring a peace agreement. Armenia's borders with Turkey and Azerbaijan remain closed as a result of a blockade, and this isolation has been a major impediment to economic development and normal political life in Armenia..

4.2. Belarus

With practically no foreign currency reserves and repeated rejections from the IMF for balance of payment support due to lack of any progress on economic reform, Belarussian economic policymakers did alter course somewhat in 2000. This was also made necessary by the sharp economic slowdown. Even the reported rate of growth in GDP and industry (which most Western observers maintain are substantially overstated) has slowed markedly. GDP was only up 2% year-on year and industrial output 1.5% in the first half of 2000. Already in the previous years, economic growth had decelerated from 8.3% in 1998 to 3.4% in 1999.

Inflation rates were substantially reduced by restraining soft credits to financially troubled state-owned enterprises. Monthly rates of inflation have fallen from 14% % at the beginning of 2000 to just over 3% in the third quarter of the year. The National Bank of Belarus (NBB) has taken a major step towards rationalising the economy by unifying the official and market-determined exchange rates. Debt sustainability does not appear a huge problem. State debt amounts to USD 800 million, half of which is sovereign debt and the other half guarantees. This does not include energy arrears, which amount to USD 340 million, USD 250 million of which is gas, the rest being electricity. Cash flows for debt service risk being insufficient, given the lack of access to foreign financing and limited NBB reserves and the fact that, simultaneously, the authorities would like to keep the exchange rate as stable as possible. However, the authorities are making major efforts with debt restructuring, especially the guaranteed debt from Germany and Austria (some USD 92 million in total). Debt service in 2001 amounts to USD 107 million for state debt and USD 211 million for guaranteed debt.

4.3. Georgia

As a result of a severe drought which caused a significant decline in agricultural production, the economy was expected to grow by only 1.2 % in 2000.

In the first eight months of 2000, state budget revenue was again below target mainly as a result of weak administration, black economy, corruption and difficulty to collect revenue, in particular customs duties, in a divided country. End-year inflation was expected to remain below last year's level at around 7 % only. In 2000, the exchange rate of the Lari was stable at around 2 Lari/USD.

In 2000, Georgia's current account deficit was expected to remain at the very high level of 14 % of GDP. Foreign trade was expected to suffer from the severe drought and the resulting lower agricultural production. However, in 2001, it is expected to recover thanks to better regional demand, better access to global markets (WTO membership), stronger consumer demand and investment expenditure.

Foreign exchange reserves were still low at around 1.1 month of imports, but are expected to increase to 2.2 months of imports by end-2001. External debt at end-1999 amounted to USD 1.85 bn or more than 60 % of GDP (48 % of GDP in 1998). In 2000, the country reached new rescheduling agreements with major creditors which will make the debt service burden more sustainable.

The secessions of Abkhazia and South Ossetia have been major challenges to the government since the country's independence. These regions remain under the control of separatist governments. No political solution has so far been found despite efforts of the International Community. The relationship between the autonomous republic of Ajaria and the central government has been another major internal problem in Georgia. The conflict in Chechnya has further strained relation with Russia. Another point of friction is the new visa regime for Georgians travelling or residing in Russia, a measure that could affect negatively both trade and the substantial yearly transfers sent home by Georgian emigrants. In April 1999 Georgia became member of the Council of Europe and in June 2000 it joined the WTO.

4.4. Moldova

After two years of significant contraction, GDP rose by 1.7% to the first half of 2000. Adverse weather conditions affecting agricultural output will be compensated by a pick-up in industry, transport, and construction, thereby taking the 2000 GDP to the previous year's level. Fiscal policies were substantially tightened (budget deficit fell to 1.5% of GDP in 2000 from 2.6% of GDP in 1999) and important progress was registered in the area of structural reform, notably with the wineries, the energy sector, and land privatisation.

The inflation rate was halved last year (to just over 20% in the year to December). The current account deficit, however, increased in 2000, largely due to higher imports. In spite of the total lack of external financing and the significant external debt servicing made, gross reserves remained virtually unchanged over the year, covering around 2 ½ months of imports of goods and services. The exchange rate was broadly stable around 12.5 lei/USD.

The government signed a new three-year memorandum of understanding in the context of a PRGF with the IMF on 1 December, one day after parliament granted its final approval to the 2001 budget. Subsequently, Moldova received, in total, external financing of roughly USD 42 million in the last week of 2000.

However, the risk of further disruptions in multilateral lending remains extremely high. Most immediately, the dissolution of parliament on 31 December might prompt the IMF and other lenders, including the European Community, which negotiated a Memorandum of Understanding with the Moldovan authorities in late November, to await the outcome of a pre-term legislative election in late February 2001.

4.5. Tajikistan

Real GDP grew by 9.6 % (year on year) in the first eight months of the year. Growth was driven by manufacturing. However, a severe drought resulted in very bad grain harvests (50 % of their 1999 level) and was expected to reduce GDP growth to 5 % for 2000 as a whole.

In 2000, fiscal consolidation was achieved through improved revenue collection, with an over-performance of about 1.7 % of GDP in the first half of the year. Recent increases in the international oil prices and in food prices, as well as the depreciation of the new currency, induced a sharp increase in inflation towards the end of the year. The Tajik currency depreciated by 18 % between end-March and mid-September 2000. Its depreciation accelerated towards the end of the year 2000.

The current account deficit in the first half of 2000 (6 % of GDP) was lower than last year (year on year). However, drought and higher oil prices increased pressures on the balance of payments. Moreover, capital inflows from official and private sources (especially cotton sector financing) were lower than expected causing pressure on gross foreign exchange reserves (about 1.3 months of imports coverage).

Tajikistan's external debt represented 103 % of GDP at the end of 1999. External debt is considered as very high when measured by the debt stock and debt service to fiscal revenue ratios. The debt problem is a key constraint to the poverty reduction and growth strategy. In the next 4-5 years, the annual net resource transfer abroad (related to debt payments) will be no less than 5 % of GDP.

The challenge is to continue reinstating a normal political and economic structure. The President has so far allowed the main opposition party to retain several posts in government, despite the latter's poor showing in the February election. However, the August decision to oust out of the army the majority of the opposition soldiers who joined the regular forces as part of the 1997 peace deal might have fragilised the political situation. The Talibans have not voiced aggressive intentions towards the region. However, if the Taliban forces continue to progress further North-East along the Tajik border, the only escape route for 150,000 refugees will be through Tajikistan.

4.6. Ukraine

Led by robust export performance, real GDP is estimated to have expanded by 4-5 % in 2000, the first positive yearly rate since independence. Reflecting the sharp depreciation of the hryvnya in late 1999, higher oil prices, adjustments in administrative prices and

relatively fast monetary growth, year-on-year CPI inflation accelerated from 18.4 % in October 1999 to 28.9 % in November 2000. For 2001, the parliament has adopted a budget that is balanced based on the government definition but implies an increase in the deficit to 3 % of GDP (from an estimated 1.5 % of GDP in 2000) once privatisation revenues are shown as a financing item. The budget hinges on a substantial increase in privatisation revenues, reflecting the sale of a number of large companies, including Ukrtelecom, the state-owned telecommunications monopoly, and the power distribution companies.

Supported by the depreciation of the hryvnya in late 1999 and stronger demand in Ukraine's main trading partners, exports have been growing strongly since late 1999. Although import growth has also accelerated reflecting the recovery of domestic demand, the current account posted a substantial surplus in the first three quarters of 2000. In 2001, however, the current account is projected to deteriorate as the expanding domestic demand keeps import growth strong while an appreciating real exchange rate and supply constraints weaken export growth. In April 2000, some USD 2.6 billion of foreign debt, mostly eurobonds held by private investors but also part of Ukraine's debt to the Russian gas company Gazprom, were swapped into 7-year bonds denominated in euros or dollars. Ukraine, which stopped servicing its debts to the Paris Club in January 2000, is also seeking a rescheduling of such debts. The balance of payments remains vulnerable. Substantial debt service obligations are projected for 2001 and official foreign exchange reserves remain low (USD 1.15 billion at end-November 2000, or the equivalent of 3¾ weeks of imports). Reflecting what it perceives as an increased risk of default, Moody's downgraded in January 2000 Ukraine's from B3 to Caa1 (a default-grade rating).

Progress with structural reform has been mixed but a number of encouraging measures have been taken since late 1999. In the agricultural sector, the sale of individual plots from the collective agricultural enterprises has been liberalised. On the privatisation front, the government has put together an ambitious programme for 2000-02. In the energy sector, Chernobyl was finally closed down on 15 December 2000, opening the way to an international financial package aimed at completing with acceptable safety standards the nuclear power plants of Khmelnytsky and Rovno. In the power sector, there has been a substantial improvement in cash collection rates and steps have been taken towards the privatisation of power distribution companies. Progress with gas sector reform, however, remains elusive. In the financial area, the passing in December 2000 of a new law on banks and banking activities is a welcomed step but significant weaknesses remain in some large, state-owned banks.

After more than a year of difficult discussions, complicated by allegations about the irregular use of IMF funds by the National Bank of Ukraine during 1997-98, the IMF approved in December 2000 the reactivation of the EFF. In December 2000, a Commission staff mission travelled to Kiev to agree on the policy measures related to the disbursement of the second tranche of the €150 million macro-financial assistance approved by the EU in October 1998. The Ukrainian authorities have yet to confirm, however, their agreement with some of the proposed measures.

5. OTHER NON-MEMBER COUNTRIES

5.1. Algeria

Rising oil and gas prices have had a positive impact on the Algerian economy and country risk as the hydrocarbon sector accounts for more than 90% of Algeria's exports and approximately 30% of its GDP. Rising revenue from the oil and gas industry will help to restore a surplus on both the fiscal and current accounts.

Improvements in the current-account balance, estimated at a surplus of USD 6.1 billion for 2000 will allow Algeria to accumulate foreign exchange reserves, estimated at USD 9.6 billion (9.4 months of imports) at the end of 2000.

Higher than expected oil prices have also had a positive impact on Algerian finances. Hydrocarbon revenues are projected to have increased by 5% of GDP during 2000, and the government has targeted a small fiscal surplus (0.3% of GDP). Any revenues in excess of those budgeted would be channelled into a new stabilisation fund and used to reconstitute external reserves depleted in 1998-99 and service the stock of public debt.

Real GDP growth is estimated at 4.3% in 2000 (3.3% in 1999) due to a 6.0% growth in exports (strong demand for oil and other hydrocarbons and higher prices). The annual inflation rate has been under control and below the official inflation target of 5% over the last few years. CPI inflation averaged 2.6% for 1999 and was about 4% in 2000.

The stock of medium- and long-term external debt decreased only slowly in 1999 and lowered debt service costs in USD marginally. However, due to the rebound in oil prices, total foreign debt fell from 64.9% of GDP in 1998 and 59.1% in 1999 to an estimated 47.9% in 2000. The debt service burden is also getting lower, falling from 44.8% in 1998 to 39.6% in 1999 and is expected to have reached 24% in 2000.

List of abbreviations

CBA	Currency Board Arrangement
CCFF	Compensatory and Contingency Financing Facility
DM	Deutsche Mark
EC	European Community
EFF	Extended Fund Facility
EIB	European Investment Bank
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
EUR	Euro
FESAL	Financial and Enterprise Structural Adjustment Loan
FDI	Foreign Direct Investment
FYROM	Former Yugoslav Republic of Macedonia
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IFIs	International Financial Institutions
IMF	International Monetary Fund
SAF	Structural Adjustment Facility
SBA	Stand-By Arrangement
USD	United States Dollar
VAT	Value Added Tax
WTO	World Trade Organisation

ANNEX

1. EXPLANATORY NOTES ON THE SITUATION OF RISKS COVERED BY THE COMMUNITY BUDGET

1.1. Tables 1 to 3

The purpose of Tables 1 to 3 is to show the outstanding amount of guarantees and annual repayments of capital and interest in respect of borrowing and lending operations for which the risk is covered by the Community budget. The figures show the maximum possible risk for the Community in respect of these operations and must not be read as meaning that these amounts will actually be drawn from the budget. In the case of Table 3, in particular, it is not certain that all the operations described will actually be disbursed.

1.1.1. Authorised ceiling (Table 1)

This is the aggregate of the maximum amounts of capital authorised (ceilings) for each operation decided by the Council.

In order to relate it to the risk which the budget might have to cover, account should be taken of the following factors which could affect it:

- Factor increasing the risk: the interest on the loans must be added to the authorised ceiling
- Factors reducing the risk:
 - limitation of the guarantee given to the EIB to 75% of the loans signed in the Mediterranean countries;
 - limitation of the guarantee given to the EIB to 70% of the loans signed as part of lending operations with certain non-member countries authorised by the Council Decision of 14 April 1997 and a sharing of risk between the Community and the EIB as the budget guarantee covers only political risks in some cases;
 - limitation of the guarantee given to the EIB to 65% of the loans signed as part of lending operations with certain non-member countries authorised by the Council Decision of 22 December 1999 and a sharing of risk between the Community and the EIB as the budget guarantee covers only political risks in some cases;
 - operations already repaid, since the amounts concerned, except in the case of balance of payments support (Member States), are the maximum amount of loans granted and not outstanding amounts authorised;
 - the amounts authorised are not necessarily taken up in full.

1.1.2. Capital outstanding (Table 1)

This is the amount of capital still to be repaid on a given date in respect of operations disbursed.

Compared with the previous aggregate, the amount outstanding does not include loans which have not yet been disbursed nor the proportion of disbursed loans which have already been repaid. It may be described as the amount of loans which exist on a given date.

1.1.3. Annual risk (Tables 2 and 3)

Estimated amount of principal and interest due each financial year.

This amount is calculated for:

- a) disbursements alone (Table 2) in which case the capital to be repaid corresponds to the amount outstanding;
- b) disbursements, decisions still awaiting disbursement and Commission proposals still awaiting decisions (Table 3)

in which case the capital to be repaid corresponds to the ceiling on loans authorised plus, where applicable, the amounts in respect of operations proposed by the Commission and not yet decided.

1.2. Loan operations covered by a budget guarantee

TABLE 5a

Borrowing and lending operations: Member States

Changes in amounts outstanding during six-month period

EUR million

COUNTRY	Decision	Date of decision	Loan term (years)			Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 01.07.00	Operations during the six-month period		Amount outstanding at 31.12.00
									Amounts disbursed	Amounts repaid	
ITALY	93/67/EEC	18.01.93	6			(c)	8.000,00	1.000,00		1.000,00	0,00
			6			(c)	2.000,00				
			-			(d)	2.000,00				
			-			(d)	2.000,00				
EURATOM	77/270-271/Euratom 80/29/Euratom 82/170/Euratom 85/537/Euratom 90/212/Euratom	29.03.77 20.12.79 15.03.82 05.12.85 23.04.90	(3)			(c)	3.800,00	1,30		1,30	0,00
						(c)	300,00				
						(c)	500,00				
						(c)	1.000,00				
						(b)(4)	1.000,00				
						(d)(4)	1.000,00				
NCI	78/870/EEC 81/19/EEC(1) 81/1013/EEC(2) 82/169/EEC 83/200/EEC 87/182/EEC	16.10.78 20.01.81 14.12.81 15.03.82 19.04.83 09.03.87	(3)			(c)	6.830,00	117,70		28,00	89,70
						(c)	1.000,00				
						(c)	1.000,00				
						(c)	80,00				
						(c)	1.000,00				
						(c)	3.000,00				
						(c)	750,00				
TOTAL							18.630,00	1.119,00	0,00	1.029,30	89,70 (5)

(1) Exceptional aid for the reconstruction of areas hit by the earthquake in Italy in 1980.

(2) Exceptional aid for the reconstruction of areas hit by the earthquake in Greece in 1981.

(3) Long-term loans for which the schedule of repayments depend on the dates of disbursement.

(4) By Decision 94/179/Euratom of 21 March 1994 the Council decided to extend Euratom loans to the financing of projects in certain non-member countries.

(5) Discrepancy caused by change in the rates of the other currencies against the euro.

TABLE 5b (1)
Financial assistance to non-member countries
Changes in amounts outstanding during six-month period, broken down by country and tranche

COUNTRY	Decision	Date of decision	Loan term (years)	Expiry data	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 01.07.00	Operations during the six-month period		Amount outstanding at 31.12.00
								Amounts disbursed	Amounts repaid	
BULGARIA II	92/511/EEC	19.10.92				110,00				
1st tranche			7	07.12.2001	(c)	70,00	70,00			70,00
2nd tranche			7	29.08.2003	(c)	40,00	40,00			40,00
BULGARIA III	97/472/EC	22.07.97				250,00				
1st tranche			10	10.02.2008	(c)	125,00	125,00			125,00
2nd tranche			10	22.12.2008	(c)	125,00	125,00			125,00
BULGARIA IV	99/731/EC	08.11.99				100,00				
1st tranche			10	21.12.2009	(c)	40,00	40,00			40,00
2nd tranche			-	-	(d)	60,00	0,00	60,00		60,00
ROMANIA II	92/551/EEC	27.11.92	7	26.02.2000	(c)	80,00	0,00			0,00
ROMANIA III	94/369/EEC	20.06.94				125,00				
1st tranche			7	20.11.2002	(c)	55,00	55,00			55,00
2nd tranche			7	20.11.2004	(c)	70,00	70,00			70,00
ROMANIA IV	99/732/EC	08.11.99				200,00				
1st tranche			10	29.06.2010	(c)	100,00	100,00			100,00
2nd tranche			-	-	(d)	100,00	0,00			0,00
BALTIC STATES	92/542/EEC	23.11.92				220,00				
ESTONIA						40,00				
1st tranche			7	31.03.2000	(c)	20,00	0,00			0,00
2nd tranche			-	-	(d)	20,00	0,00			0,00
LATVIA						80,00				
1st tranche			7	31.03.2000	(c)	40,00	0,00			0,00
2nd tranche			-	-	(d)	40,00	0,00			0,00
LITHUANIA						100,00				
1st tranche			7	27.07.2000	(c)	50,00	50,00		50,00	0,00
2nd tranche			7	16.08.2002	(b)	50,00	25,00			25,00
FYROM	97/471/EC	22.07.97				40,00				
1st tranche			15	27.09.2012	(c)	25,00	25,00			25,00
2nd tranche			15	13.02.2008	(c)	15,00	15,00			15,00

TABLE 5b (2)

Financial assistance to non-member countries
Changes in amounts outstanding during six-month period, broken down by country and tranche

EUR million

COUNTRY	Decision	Date of decision	Loan term (years)	Expiry data	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - non encore décaissés (d)	Amount decided	Amount outstanding at 01.07.00	Operations during the six-month period		Amount outstanding at 31.12.00
								Amounts disbursed	Amounts repaid	
BOSNIA	99/325/EC	10.05.99				20,00				
1st tranche			15	22.12.2014	(c)	10,00	10,00			10,00
2nd tranche			-	-	(d)	10,00	0,00			0,00
MOLDOVA I	94/346/EC	13.06.94				45,00				
1st tranche			10	07.12.2004	(c)	25,00	25,00		5,00	20,00
2nd tranche			10	08.08.2005	(c)	20,00	20,00			20,00
MOLDOVA II	96/242/EC	25.03.96	10	30.10.2006	(c)	15,00	15,00			15,00
MOLDOVA III	2000/452/EC	10.07.00	10		(d)	15,00	0,00			0,00
UKRAINE I	94/940/EC	22.12.94	10	28.12.2005	(c)	85,00	85,00			85,00
UKRAINE II	95/442/EC	23.10.95				200,00				
1/2 tranche			10	29.08.2006	(c)	50,00	50,00			50,00
1/2 tranche			10	30.10.2006	(c)	50,00	50,00			50,00
2nd tranche			10	30.10.2008	(c)	100,00	100,00			100,00
UKRAINE III	98/592/EC	15.10.98				150,00				
1st tranche			10	30.07.2009	(c)	58,00	58,00			58,00
2nd tranche			-	-	(d)	92,00	0,00			0,00
BELARUS	95/132/EC	10.04.95				55,00				
1st tranche			10	28.12.2005	(c)	30,00	30,00			30,00
2nd tranche			-	-	(d)	25,00	0,00			0,00
ALGERIA I	91/510/EEC	23.09.91				400,00				
1st tranche			5	15.12.97	(a)	250,00	0,00			0,00
2nd tranche			7	17.08.2001	(c)	150,00	150,00			150,00
ALGERIA II	94/938/EC	22.12.94				200,00				
1st tranche			7	27.11.2002	(c)	100,00	100,00			100,00
2nd tranche			-	-	(d)	100,00	0,00			0,00
GEORGIA	97/787/EC	17.11.97	15	24.07.2013	(c)	110,00	100,00			100,00
ARMENIA	97/787/EC	17.11.97	15	30.12.2013	(c)	28,00	23,00			23,00
TAJIKISTAN	2000/244/EC	20.03.00	15		(d)	75,00	0,00			0,00
REP. of former USSR	91/658/EEC	16.12.91	3	28.09.97	-	1.250,00	54,50			54,50
TOTAL						3.683,00	1.610,50	60,00	55,00	1.615,50

(*) The sum of EUR 54.5 million corresponds to the principal due but not paid at 30.06.00.

LOAN GUARANTEES TO THE EIB

EUR million

GEOGRAPHICAL AREA	Decision	Date of decision	Rate of guarantee	Date of guarantee contract	Amount decided	Loans signed		Amounts outstanding	
						at 30.06.00	during the second half of the year	at 30.06.00	at 31.12.00
MED. Financial protocols(1)		8.03.77	75% (2)	30.10.78/10.11.78	6062	5514	0	2416	2290
MED. Horizontal cooperation	R/1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1800	1768	0	1548	1570
TOTAL MED.					7862	7282 (3)	0	3964	3860 (*)
Central & Eastern Europe I	90/62/EEC(4)	12.02.90	100%	24.04.90/14.05.90	1000	912		705	659
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700	498	-	383	342
Central & Eastern Europe II	93/696/EC(6)	13.12.93	100%	22.07.94/12.08.94	3000	2792	-	1999	2265
Asia, Latin America I	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750	621	-	477	488
Asia, Latin America II	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153	153	-	147	147
Asia, Latin America III	96/723/EC	12.12.96	70%	21.10.97	122	122	-	102	108
South Africa	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300	300	-	280	271
New mandates	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7105	6898	111	2958	3499
FYROM	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150	130	0	38	45
Bosnia	98/729/EC	14.12.98	70%	16.06.99/22.06.99	100	60		0	60
Turkey	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600	225	150	0	150
Mandates 2000-2007	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00	18410	230	617	0	154
TOTAL					40.252	20.223	878	11.053	12.048

(1) including EUR 1500 million for Spain, Greece and Portugal.

(2) General guarantee of 75% for all credits made available under lending operations under a guarantee contract signed between the Community and the EIB on 30.10.78 and 10.11.78. By way of exception, a 100% guarantee applies to the emergency aid granted to Portugal in accordance with the Council Decision of 7 October 1975.

(3) The Community has guaranteed EUR 5 497 million, of which EUR 141.5 million is covered by a 100% guarantee for Portugal.

(4) Non-member countries: Poland, Hungary.

(5) Non-member countries: Czech Republic, Slovak Republic, Bulgaria and Romania.

(6) Non-member countries: Poland, Hungary, Czech Republic, Slovak Republic, Bulgaria, Romania, Baltic States and Albania.

(7) Non-member countries: Central and Eastern Europe, Mediterranean, Asia and Latin America, South Africa.

(8) Non-member countries: Central and Eastern Europe, Mediterranean, Asia and Latin America, South Africa.

(*) The amount outstanding has been increased by EUR 55.25 million to take account of the principal due but not paid at 31.12.00

1.3. Expected signature and disbursement of EIB loans

The EIB has supplied the figures used for calculation of the assumptions made for drawing up Table 3 (EIB loans to non-member countries from its own resources).

Expected signatures

At 31 December 2000 a total of € 379 million was still to be signed:

Mediterranean: former mandates (4th protocol with Syria)	€ 115 million
Mediterranean countries	€ 0 million
Central and eastern Europe (1)	€ 75 million
Asia and Latin America	€ 129 million
South Africa	€ 0 million
FYROM	€ 20 million
Bosnia	€ 40 million

(1) The amount still to be signed for central and eastern Europe under the Decision of 14 April 1997

The foreseeable timetable for loan signatures under the new mandate of EIB loans (2000-07) adopted by the Council on 22 December 1999 is shown in the financial statement attached to the Commission proposal.

Disbursement forecasts

As regards disbursement of the loans still awaiting signature, it is assumed that nothing will be paid in the year of signature, 10% in the second year, 25% a year between the third and fifth years and 15% in the sixth year.

At 31 December 2000, € 7 477 million still had to be disbursed against loans signed at that date. The total breaks down as follows:⁷

Mediterranean countries	€ 2 865 million
Central and eastern Europe	€ 3 383 million
Asia and Latin America	€ 887 million
South Africa	€ 217 million
FYROM	€ 85 million
Bosnia	€ 40 million

It is assumed that the rate of disbursement for the new mandate (2000-07) will be the same as that set out above.

⁷ Based on a working assumption that 25% of the loan will be disbursed every year for four years and that the average term will be fifteen years with a three-year period of grace.

1.4. Payment of the budget guarantee

1.4.1. Borrowing/lending operations

In this type of operation, the Community borrows on the financial market and on-lends the proceeds (at the same rate and for the same term) to Member States (balance of payments), non-member countries (medium-term financial assistance) or firms (NCI, Euratom).

The loan repayments are scheduled to match the repayments of the borrowings due from the Community. If the recipient of the loan is late in making a repayment, the Commission must draw on its resources to repay the borrowing on the due date.

The funds needed to pay the budget guarantee in the event of late payment by the recipient of a loan granted by the Community are raised as follows:

- a) the amount required may be taken provisionally from cash resources in accordance with Article 12 of Council Regulation No 1150/2000 of 22 May 2000 implementing Decision 94/728/EC, Euratom on the system of the Communities' own resources. This method is used so that the Community can immediately repay the borrowing on the date scheduled in the event of late payment by the recipient of the loan;
- b) if the delay extends to three months after the due date, the Commission draws on the Guarantee Fund to cover the default. The funds obtained are used to replenish the Commission's cash resources;
- c) the transfer procedure can be used to provide the budget heading with the appropriations needed to cover the default; any margin available in the guarantee reserve is drawn on first. This method is used when there are insufficient appropriations in the Guarantee Fund and must be authorised in advance by the budgetary authority;
- d) the re-use of amounts repaid by debtors who have defaulted, leading to activation of the Community guarantee, allows payments to be made within a short period of time always providing, of course, that there are recovered funds available.

1.4.2. Guarantees given to third parties

The loan guarantee is in respect of loans granted by a financial institution such as the European Investment Bank (EIB). When the recipient of a guaranteed loan fails to make a payment on the due date, the EIB asks the Community to pay the amounts owed by the defaulter in accordance with the contract of guarantee. The guarantee must be paid within three months of receiving the EIB's request. The EIB administers the loan with all the care required by banking practice and is obliged to demand the payments due after the guarantee has been activated.

Since the entry into force of the Regulation establishing a Guarantee Fund for external action, the provisions of the Agreement between the Community and the EIB on management of the Fund state that, after the EIB calls in the guarantee in the event of a

default, the Commission must authorise the Bank to withdraw the corresponding amounts from the Guarantee Fund within three months.

If there are insufficient resources in the Fund, the procedure used for activating the guarantee is the same as for borrowing/lending operations.

An implementation agreement was concluded between the Community and the EIB on 20 and 22 January 1999 to determine payment and repayment procedures in connection with Community guarantees to the EIB.

2. METHODOLOGICAL NOTE ON THE ANALYSIS OF THE COMMUNITY'S ESTIMATED LENDING CAPACITY IN RESPECT OF NON-MEMBER COUNTRIES OVER THE PERIOD 1999-2001 UNDER THE GUARANTEE FUND MECHANISM (TABLE 4)

2.1. Reserve for loan guarantees to non-member countries

As agreed at the Edinburgh European Council, the Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure provided for the entry of a reserve for loan guarantees to non-member countries as a provision in the general budget of the European Communities. This reserve is intended to cover the requirements of the Guarantee Fund and, where necessary, activated guarantees exceeding the amount available in the Fund, so that these amounts may be charged to the budget.

The amount of the guarantee reserve is the same as in the financial perspective for 2000-2006, viz. € 200 million at 1999 prices. The amount in the reserve was € 203 million in 2000 and will be € 208 million in 2001.

The conditions for the entry, use and financing of the guarantee reserve are laid down in the following decisions:

- Council Decision 94/729/EC of 31 October 1994 on budgetary discipline.
- Council Regulation (ECSC, EC, Euratom) No 2730/94 of 31 October 1994 amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities.
- Council Decision 94/728/EC of 31 October 1994 on the system of the Communities' own resources.

2.2. Bases for the calculation of the provisioning of the Guarantee Fund

The bases for the provisioning of the Fund are calculated by applying the appropriate rate of guarantee (65%, 70%, 75% or 100%):

- to the loan guarantees authorised by the Council and to the loan guarantees proposed or being prepared by the Commission on the basis of the estimates of loan signatures contained in the financial statements (EIB and Euratom loans);

- to the loans (for financial assistance) authorised by the Council and to the loans proposed or being prepared by the Commission.

The annex to Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 establishing a Guarantee Fund for external actions, which relates to the arrangements for payments into the Guarantee Fund, states that, in the case of borrowing/lending operations or guarantees to financial bodies under a framework facility spread over a number of years and with a microeconomic and structural purpose, payments into the Fund will be made in annual tranches calculated on the basis of the annual amounts indicated in the financial statement attached to the Commission proposal, adapted where appropriate in the light of the Council decision.

For other Community borrowing/lending operations, such as loans for the balance of payments of third countries, whether made in one or more than one tranche, payments into the Fund are calculated on the basis of the total amount for the operation decided on by the Council.

The annex to the Regulation establishing the Guarantee Fund states that, as from the second year (in the case of operations spread over a number of years), the amounts to be paid into the Fund will be corrected by the difference recorded on 31 December of the previous year between the estimates that were taken as a basis for the previous payment and the actual figure for the loans signed during that year. Any difference relating to the previous year will give rise to a payment in the following year.

The annex states that, when it starts a payment procedure, the Commission will check the situation with regard to the performance of the operations which were the subject of previous payments and, where the commitment deadlines originally laid down have not been met, will propose that this will be taken into account in calculating the first payment to be made at the start of the following financial year for operations already under way.

In the second half of 2000, the budgetary authority accordingly adopted two transfers:

- transfer 69/2000 so that payments could be made into the Guarantee Fund in respect of macro-financial assistance for non-member countries (Tajikistan and Moldova) and in order to pay the annual tranches provided for in the financial statements for EIB loans for projects carried out in Croatia;
- transfer 74/2000 in order to pay the annual tranches provided for in the financial statements for EIB loans to consolidate and reinforce the EC-Turkey customs union.

2.3. Basis for the provisioning of the Fund in the event of a part guarantee

For EIB loans covered by an aggregate 75% guarantee, the Fund is provisioned on the basis of 75% of the total amount of operations authorised.

The guarantee on the EIB loans authorised by the Council on 14 April 1997, 19 May 1998 and 14 December 1998 is limited to 70% of the total amount of credits opened. The basis for provisioning is 70% of the annual forecast of signatures.

The guarantee on the EIB loans authorised by the Council on 29 November 1999 and 22 December 1999 is limited to 65% of the total amount of credits opened. The basis for provisioning is 65% of the annual forecast of signatures.

2.4. Provisioning of the Guarantee Fund

The amounts paid into the Fund are obtained by applying the rate of provisioning (14%) to the calculation base set out above.

Pursuant to Articles 2 and 4 of the Regulation establishing the Guarantee Fund, the Fund is endowed by payments from the general budget equivalent to 14% of the capital value of the operations until it reaches the target amount. As the target amount was reached at 31 December 1997, the Commission, in accordance with the Regulation, submitted proposals to review the rate of provisioning. These proposals appear in the comprehensive report on the functioning of the Fund which the Commission drew up in accordance with Article 3 of the Regulation (COM(1998) 168 final of 18 March 1998). Regulation No 2728/94 establishing a Guarantee Fund for external action has been amended by Council Regulation (EC, Euratom) No 1149/1999 of 25 May 1999 under which the provisioning rate for the Fund and the target amount is fixed at 9% from 1 January 2000.

2.5. Margin remaining in the guarantee reserve

The margin remaining in the guarantee reserve is equivalent to the difference between the reserve and the heading for the provisioning of the Guarantee Fund.

2.6. Residual lending capacity

The residual lending capacity is the loan equivalent of the margin left in the reserve, allowing for the guarantee rates in force.

3. Explanatory notes for country-risk indicators

Explanatory notes for country-risk indicators

Standard footnotes

- (1) Includes only EC and EIB loans (outstanding disbursements) to CEEC, NIS and MED
- (2) The higher the ranking number, the lower the creditworthiness of the country. No ranking was published by Euromoney in March 1998.
- (3) Countries are rated on a scale of zero to 100; 100 represents the least chance of default. A given country may improve its rating and still fall in the ranking if the average global rating for all rated countries improves.

Abbreviations and English words used in tables

S&P	Standard and Poor's
CCFF=	Compensatory and Contingency Financing Facility
EFF=	Extended Financing Facility
SBA =	Stand-By Arrangement
STF=	Systemic Transformation Facility
PRGF=	Poverty Reduction and Growth Facility
est.=	estimates
n.a. =	not available
prelim.=	preliminary
no	
none	
yes	

Country-risk indicators					
Country: Bosnia & Herzegovina (4)					
		footnotes	1998	1999	2000
Real GDP growth rate	(%)		13,0	9,0	12,0
Industrial production	(% change)				
Federation			24,0	n.a.	n.a.
Republika Srpska			22,0	n.a.	n.a.
Unemployment (end of period) (5)	(% of labour force)				
Federation			n.a.	n.a.	n.a.
Republika Srpska			47,0	n.a.	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)				
Federation (in KM terms)			5,0	3,0	3,0
Republika Srpska (DEM based index) (6)			2,0	5,0	3,0
Exchange rate (end of period)	KM per DEM		1,0	1,0	1,0
	YUD per DEM (7)		6,4	n.a.	n.a.
	Croatian Kuna per DEM		3,3	n.a.	n.a.
	KM per EUR		1,96	1,96	1,96
General government balance	(% of Entity GDP)				
Federation			-1,8	-1,3	-2,8
Republika Srpska			-5,1	-5,1	-3,8
Balance of payments					
Exports of goods and services	(m USD)		816	972	1000
Current account balance (8)	(% of GDP)		-31,5	-22,0	-20,0
Net inflow of foreign direct investment	(m USD)		100	90	117
Official reserves, including gold (end of period) (9)					
m USD			175	455	488
months' imports of goods and services			0,7	2,0	2,3
External debt					
Convertible currency external debt (end of period)	(m USD)		2985	3095	2763
Convertible currency debt service	(m USD)		44,5	62,9	100,0
principal	(m USD)		n.a.	n.a.	n.a.
interest	(m USD)		n.a.	n.a.	n.a.
External debt/GDP	(%)		74,0	71,0	61,0
External debt/exports of goods and services	(%)		352,0	319,0	276,0
Debt service/exports of goods and services	(%)		17,0	8,0	12,0
Arrears (on both interest and principal)	(m USD)		814	n.a.	
Debt relief agreements and rescheduling	(m USD)	(10)	815	-	
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	-	0,1	0,1
EU exposure/external debt	(%)		-	0,3	0,3
EU exposure/exports of goods and services	(%)		-	1,1	0,9
IMF arrangements					
Type			SBA	SBA	SBA
(Date)			(5/98-4/01)	(5/98-4/01)	(5/98-4/01)
On track			Yes	Yes	Yes
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			none	none	none
S&P long-term foreign currency rating (end of period)			none	none	none
Euro money					
Position in the ranking (number of countries)	(2)		none	none	none 178 (180) (185)
The Institutional Investor					
Position in the ranking (number of countries)	(2)		none	none	none
Credit rating	(3)		none	none	none

Footnotes

- (1) (2) (3) See explanatory notes.
(4) Data refer to the entire country unless otherwise indicated.
(5) World Bank estimates, adjusted unemployment figures. Official figures are somewhat higher as there is a general tendency of over reporting.
(6) Measured in DM using the RS parallel market exchange rate for FRY dinar (YUD)
(7) YUD/DM exchange rate in the parallel market in the Belgrade area, as reported by the National Bank of FRY.
(8) Excluding official transfers.
(9) Foreign assets of the monetary authorities, excluding earmarked funds and blocked accounts; including foreign exchange held by the payments bureaux.
(10) Paris Club in 1998.

Country-risk indicators						
Country: Bulgaria						
		footnotes	1998	1999	2000	
Real GDP growth rate	(%)		3,5	2,5	5,0	Q3/Q3
Industrial production	(% change)		-9,4	-5,0	12,0	Q3/Q3
Unemployment (end of period)	(% of labour force)		12,2	14,7	17,8	09/2000
Inflation rate (CPI) (Dec/Dec)	(% change)		1,0	6,5	11,4	09/09
Exchange rate (end of period)	(Leva per USD)		1670	1947	2,08	
General government balance	(% of GDP)		1,1	-0,9	-0,6	
Balance of payments						
Exports of goods and services	(m USD)		6297	5740	5010	09/2000
Current account balance	(% of GDP)		-1,8	-5,5	-3,9	09/2000
Net inflow of foreign direct investment	(m USD)		364	739	787	09/2000
Official reserves, including gold (end of period)						
m USD			3056	3222	5000	
months' imports of goods and services			5,8	6,4	8,2	
External debt						
Convertible currency external debt (end of period)	(m USD)		10072	9980	10071	09/2000
Convertible currency debt service principal	(m USD)		1099	975	738	09/2000
interest	(m USD)		626	495	305	09/2000
External debt/GDP	(%)		469	480	433	09/2000
External debt/exports of goods and services	(%)		83,7	81,3	78,1	
Debt service/exports of goods and services	(%)		159,9	174,0	167,0	
Arrears (on both interest and principal)	(m USD)		19,8	17,0	16,6	
Debt relief agreements and rescheduling	(m USD)		none	none	none	
Indicators of EU exposure						
EU exposure/total EU exposure	(%)	(1)	6,2	6,0	3,9	
EU exposure/external debt	(%)		6,0	6,7	4,2	
EU exposure/exports of goods and services	(%)		9,5	11,7	8,5	
IMF arrangements						
Type			EFF	EFF	EFF	
(Date)			(06/98-06/01)	(06/98-06/01)	(06/98-06/01)	
On track			yes	yes	yes	
Indicators of market's perception of creditworthiness						
Moody's long-term foreign currency rating (end of period)			B2	B2	B2	
S&P long-term foreign currency rating (end of period)			B	B	B+	
Euromoney			09/98	03/99 09/99	03/00 09/00	
Position in the ranking	(2)		93	87 89	84 80	
(number of countries)			(180)	(180) (180)	(180) (185)	
The Institutional Investor			03/98 09/98	03/99 09/99	03/00 09/00	
Position in the ranking	(2)		100 92	80 79	76 74	
(number of countries)			(136) (136)	(136) (136)	(145) (145)	
Credit rating	(3)		22.9 26.3	28.6 30.3	32.5 37.1	

Footnotes

(1) (2) (3) See explanatory notes.

Country-risk indicators					
Country: Former Yugoslav Republic of Macedonia					
		footnotes	1998	1999	2000
Real GDP growth rate	(%)		2.9	2.7	6.0
Industrial production	(% change)		4.5	-2.5	-
Unemployment (end of period)	(% of labour force)		34.5	32.4	32.1
Inflation rate (CPI) (Dec/Dec)	(% change)		-2.4	2.6	4.9
Exchange rate (end of period)	(Denar per USD)		51.7	60.0	66.5
General government balance	(% of GDP)		-1.7	0.0	2.2
Balance of payments					
Exports of goods and services	(m USD)		1292	1192	1367
Current account balance	(% of GDP)	(4)	-9.6	-5.9	-8.5
Net inflow of foreign direct investment	(m USD)		175	27	104
Official reserves, including gold (end of period)					
m USD			334	478	1092
months' imports of goods and services			2.0	3.0	3.5
External debt					
Convertible currency external debt (end of period)	(m USD)		1517	1409	1468
Convertible currency debt service	(m USD)		130,5	155,0	169,5
principal	(m USD)		n.a.	n.a.	n.a.
interest	(m USD)		n.a.	n.a.	n.a.
External debt/GDP	(%)		41.1	43.3	45.7
External debt/exports of goods and services	(%)		117,4	118,2	107,4
Debt service/exports of goods and services	(%)	(5)	10.1	13.0	12.4
Arrears (on both interest and principal)	(m USD)		2.0	0.0	0.0
Debt relief agreements and rescheduling	(m USD)		0,0	22	20
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	0,6	0,7	0,3
EU exposure/external debt	(%)		4,1	5,9	2,5
EU exposure/exports of goods and services	(%)		4,8	7,0	2,7
IMF arrangements					
Type			ESAF	ESAF	EFF/PRGF
(Date)			(04/97-04/00)	(04/97-04/00)	(12/00-12/03)
On track			no	no	yes
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			none	none	none
S&P long-term foreign currency rating (end of period)			none	none	none
Euromoney			09/98	03/99 09/99	03/00 09/00
Position in the ranking (number of countries)	(2)		143 (180)	146 160 (180) (180)	120 100 (180) (185)
The Institutional Investor					
Position in the ranking (number of countries)	(2)		none	none	none
Credit rating	(3)		none	none	none

Footnotes

(1) (2) (3) See explanatory notes.

(4) The current account deficit may be overestimated due to unreported remittances.

Country-risk indicators						
Country: Lithuania						
		footnotes	1998	1999	2000	
Real GDP growth rate	(%)		5,1	-4,2	2,3	09/00
Industrial production	(% change)		8,2	-9,9	1,3	09/00
Unemployment (end of period)	(% of labour force)		6,9	10,0	12,6	
Inflation rate (CPI) (Dec/Dec)	(% change)		2,4	0,3	1,4	
Exchange rate (end of period)	(Litas per USD)		4,0	4,0	4,0	
General government balance	(% of GDP)		-5,8	-8,5	-3,3	est.
Balance of payments						
Exports of goods and services	(m USD)		5071	4238	3931	09/00
Current account balance	(% of GDP)		-12,1	-11,2	-4,0	09/00
Net inflow of foreign direct investment	(m USD)		921	478	139	09/00
Official reserves, including gold (end of period)						
m USD			1460	1242	1310	
months' imports of goods and services			2,7	2,7		
External debt						
Convertible currency external debt (end of period)	(m USD)		1684	2429	2406	11/00
Convertible currency debt service principal	(m USD)		n.a.	n.a.	n.a.	
interest	(m USD)		n.a.	n.a.	n.a.	
External debt/GDP	(%)		15,7	22,8	22,0	11/00
External debt/exports of goods and services	(%)		33,2	57,3	57,0	11/00
Debt service/exports of goods and services	(%)		n.a.	n.a.	n.a.	
Arrears (on both interest and principal)	(m USD)		none	none	none	
Debt relief agreements and rescheduling	(m USD)		none	none	none	
Indicators of EU exposure						
EU exposure/total EU exposure	(%)	(1)	1,7	1,8	0,2	
EU exposure/external debt	(%)		9,9	8,1	1,0	
EU exposure/exports of goods and services	(%)		3,3	4,6	0,6	
IMF arrangements						
Type			-	-	SBA	
(Date)			-	-	(1/2000-3/2001)	
On track			-	-	yes	
Indicators of market's perception of creditworthiness						
Moody's long-term foreign currency rating (end of period)			Ba1	Ba1	Ba1	
S&P long-term foreign currency rating (end of period)			BBB+	BBB-	BBB-	
Euromoney			09/98	03/99 09/99	03/00 09/00	
Position in the ranking (number of countries)	(2)		62 (180)	63 65 (180) (180)	61 69 (180) (185)	
The Institutional Investor			03/98 09/98	03/99 09/99	03/00 09/00	
Position in the ranking (number of countries)	(2)		77 71 (136) (136)	69 66 (136) (136)	66 69 (145) (145)	
Credit rating	(3)		32.9 34.5	36.1 38.3	40.8 43.7	

Footnotes

(1) (2) (3) See explanatory notes.

Country-risk indicators Country: Romania						
		footnotes	1998	1999	2000	
Real GDP growth rate	(%)		-5,4	-3,2	2,0	09/00
Industrial production	(% change)		-16,7	-8,0	8,2	10/00
Unemployment (end of period)	(% of labour force)		10,3	11,5	10,3	11/00
Inflation rate (CPI) (Dec/Dec)	(% change)		40,6	54,9	41,3	11/00
Exchange rate (end of period)	(Lei per USD)		10951	18255	25915	
General government balance	(% of GDP)	(4)	-5,0	-3,4	-3,7	
Balance of payments						
Exports of goods and services	(m USD)		9519	9862	12742	
Current account balance	(% of GDP)		-7,2	-3,8	-3,2	
Net inflow of foreign direct investment	(m USD)		2040	949	347	06/00
Official reserves, including gold (end of period)						
m USD			2299	2498	2497	
months' imports of goods and services			2,2	2,6		
External debt						
Convertible currency external debt (end of period)	(m USD)		9808	8589	9221	10/00
Convertible currency debt service	(m USD)		3451	3415		
principal	(m USD)		2897	2948		
interest	(m USD)		554	467		
External debt/GDP	(%)		23,6	25,2	26,0	
External debt/exports of goods and services	(%)		103,0	87,1	72,4	
Debt service/exports of goods and services	(%)		36,3	34,6	17,8	10/00
Arrears (on both interest and principal)	(m USD)		none	none	none	
Debt relief agreements and rescheduling	(m USD)		none	none	none	
Indicators of EU exposure						
EU exposure/total EU exposure	(%)	(1)	7,8	6,2	1,9	
EU exposure/external debt	(%)		7,8	8,0	2,3	
EU exposure/exports of goods and services	(%)		8,0	6,9	1,6	
IMF arrangements						
Type			SBA	SBA	SBA	
(Date)			(4/97-5/98)	(8/99-3/00)	(8/99-2/01)	
On track			no (6)	yes (7)	no (7)	
Indicators of market's perception of creditworthiness						
Moody's long-term foreign currency rating (end of period)			B3	B3	B3	
S&P long-term foreign currency rating (end of period)			B-	B-	B-	
Euromoney			09/98	03/99 09/99	03/00 09/00	
Position in the ranking (number of countries)	(2)		82 (180)	89 95 (180) (180)	107 103 (180) (185)	
The Institutional Investor			03/98 09/98	03/99 09/99	03/00 09/00	
Position in the ranking (number of countries)	(2)		70 72 (136) (136)	76 85 (136) (136)	92 85 (145) (145)	
Credit rating	(3)		34.5 33.8	31.2 28.7	27.5 30.3	

Footnotes

(1) (2) (3) See explanatory notes.

(4) Figure for 1999 is an estimate

(5) Off track in September 1997

(6) Cancelled with only two (out of five) tranches disbursed

(7) Completion of first review and extension of the SBA until 02/2001 approved by the IMF in early June 2000.

Country-risk indicators					
Country: Armenia					
		footnotes	1998	1999	2000 (prel.)
Real GDP growth rate	(%)		7,2	3,3	4,0
Industrial production	(% change)		-2,5	5,2	
Unemployment (end of period)	(% of labour force)		9,3	11,5	11,1
Inflation rate (CPI) (Dec/Dec)	(% change)		-1,3	2,0	-0,5
Exchange rate (end of period)	(Dram per USD)		522	524	556
General government balance	(% of GDP)		-4,7	-5,5	-5,4
Balance of payments					
Exports of goods and services	(m USD)		204	234	260 est.
Current account balance	(% of GDP)		-27,3	-25,0	
Net inflow of foreign direct investment	(m USD)		197	140	
Official reserves, including gold (end of period)					
m USD			298	331	324
months' imports of goods and services			3,6	3,7	3,5
External debt					
Convertible currency external debt (end of period)	(m USD)		787	855	941
Convertible currency debt service	(m USD)		75,9	61,1	65,8
principal	(m USD)		n.a.	n.a.	n.a.
interest	(m USD)		n.a.	n.a.	n.a.
External debt/GDP	(%)		43,9	48,0	
External debt/exports of goods and services	(%)		385,8	365,4	361,9
Debt service/exports of goods and services	(%)		37,2	26,1	25,3
Arrears (on both interest and principal)	(m USD)		n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m USD)		n.a.	n.a.	n.a.
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	0,3	0,2	0,2
EU exposure/external debt	(%)		4,0	2,9	2,3
EU exposure/exports of goods and services	(%)		15,4	10,5	8,2
IMF arrangements					
Type			ESAF	ESAF	-
(Date)			(12/98-11/99)	(12/98-11/99)	
On track			no	yes	
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			none	none	none
S&P long-term foreign currency rating (end of period)			none	none	none
Euromoney			09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		137	159 134	144 131
(number of countries)			(180)	(180) (180)	(180) (185)
The Institutional Investor					
Position in the ranking	(2)		none	none	none
(number of countries)					
Credit rating	(3)		none	none	none

Footnotes

(1) (2) (3) See explanatory notes.

Country-risk indicators					
Country: Belarus					
		footnotes	1998	1999	2000 (4)
Real GDP growth rate	(%)		8,3	3,4	1,5
Industrial production	(% change)		12,0	9,7	1,0
Unemployment (end of period)	(% of labour force)		2,4	2,0	2,0
Inflation rate (CPI) (Dec/Dec)	(% change)		181,7	251,3	36,0
Exchange rate (end of period)	(Rbs per USD)		220000	320000	
General government balance	(% of GDP)		-1,5	-2,9	-2,9
Balance of payments					
Exports of goods and services	(m USD)		7100	5949	7200
Current account balance	(% of GDP)		-6,1	-2,7	-1,0
Net inflow of foreign direct investment	(m USD)		141,5	150,0	150,0
Official reserves, including gold (end of period)					
m USD			230,0	102,0	115,0
months' imports of goods and services			0,2	0,2	0,2
External debt					
Convertible currency external debt (end of period)	(m USD)		1854	1900	1900
Convertible currency debt service	(m USD)		185	195	250
principal	(m USD)		n.a.	n.a.	n.a.
interest	(m USD)		n.a.	n.a.	n.a.
External debt/GDP	(%)		18,5	22,9	22,9
External debt/exports of goods and services	(%)		26,1	31,9	26,4
Debt service/exports of goods and services	(%)		2,6	3,3	3,5
Arrears (on both interest and principal)	(m USD)		n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m USD)		none	none	none
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	0,3	0,3	0,3
EU exposure/external debt	(%)		1,8	1,7	1,5
EU exposure/exports of goods and services	(%)		0,5	0,5	0,4
IMF arrangements					
Type			-	-	-
(Date)					
On track					
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			none	none	none
S&P long-term foreign currency rating (end of period)			none	none	none
Euromoney			09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		144	137 135	140 129
(number of countries)			(180)	(180) (180)	(180) (185)
The Institutional Investor			03/98 09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		122 121	122 129	129 129
(number of countries)			(136) (136)	(136) (136)	(145) (145)
Credit rating	(3)		12.9 14.6	11.9 13.4	12.7 14.4

Footnotes

(1) (2) (3) See explanatory notes.

(4) Preliminary data.

Country-risk indicators					
Country: Georgia					
		footnotes	1998	1999	2000 (prel.)
Real GDP growth rate	(%)		2,8	3,3	1,2
Industrial production	(% change)		-2,7	4,4	6,0
Unemployment (end of period)	(% of labour force)		4,3	5,4	6,0
Inflation rate (CPI) (Dec/Dec)	(% change)		10,6	10,9	6,8
Exchange rate (end of period)	(Lari per USD)		1,8	1,9	2,0
General government balance	(% of GDP)		-6,5	-6,7	-4,6
Balance of payments					
Exports of goods and services	(m USD)		478	477	520
Current account balance	(% of GDP)		-17,3	-14,4	-13,7
Net inflow of foreign direct investment	(m USD)		221	62	77
Official reserves, including gold (end of period)					
m EUR			118	132	110
months' imports of goods and services			1,2	1,6	1,1
External debt					
Convertible currency external debt (end of period)	(m USD)		1600	1700	1800
Convertible currency debt service	(m USD)		66	99	109
principal	(m USD)		n.a.	n.a.	
interest	(m USD)		n.a.	n.a.	
External debt/GDP	(%)		47,9	61,6	58,8
External debt/exports of goods and services	(%)		334,7	356,4	346,2
Debt service/exports of goods and services	(%)		13,8	20,8	21,0
Arrears (on both interest and principal)	(m USD)		n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m USD)		n.a.	n.a.	yes
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	1,3	1,1	0,8
EU exposure/external debt	(%)		7,7	6,9	5,1
EU exposure/exports of goods and services	(%)		25,8	24,6	17,8
IMF arrangements					
Type			ESAF	ESAF	-
(Date)			(07/98-06/99)	(07/98-06/99)	
On track			yes	yes	
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			none	none	none
S&P long-term foreign currency rating (end of period)			none	none	none
Euro money			09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		134	141 150	155 133
(number of countries)			(180)	(180) (180)	(180) (185)
The Institutional Investor			03/98 09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		128 128	126 127	134 108
(number of countries)			(136) (136)	(136) (136)	(145) (145)
Credit rating	(3)		10.6 10.9	10.9 10.8	11.1 21.0

Footnotes

(1) (2) (3) See explanatory notes.

Country-risk indicators					
Country: Moldova					
		footnotes	1998	1999	2000 (4)
Real GDP growth rate	(%)		-8,6	-4,4	0,0
Industrial production	(% change)		-11,0	-9,9	3,0
Unemployment (end of period)	(% of labour force)		1,9	2,0	2,0
Inflation rate (CPI) (Dec/Dec)	(% change)		18,2	43,8	21,0
Exchange rate (end of period)	(Leu per USD)		8,3	11,6	12,5
General government balance	(% of GDP)		-3,4	-2,6	-1,5
Balance of payments					
Exports of goods and services	(m USD)		644	471	550
Current account balance	(% of GDP)		-19,7	-0,5	-5,0
Net inflow of foreign direct investment	(m USD)		81,0	30,5	60,5
Official reserves, including gold (end of period)					
m USD			167	202	230
months' imports of goods and services			1,5	2,5	2,5
External debt					
Convertible currency external debt (end of period)	(m USD)		1452	1465	1500
Convertible currency debt service	(m USD)		244,0	178,0	240,0
principal	(m USD)		n.a.	n.a.	n.a.
interest	(m USD)		n.a.	n.a.	n.a.
External debt/GDP	(%)		86,0	126,5	132,0
External debt/exports of goods and services	(%)		225,5	311,0	272,7
Debt service/exports of goods and services	(%)		37,9	37,8	43,6
Arrears (on both interest and principal)	(m USD)		none	none	none
Debt relief agreements and rescheduling	(m USD)		none	none	none
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	0,7	0,6	0,5
EU exposure/external debt	(%)		4,6	4,4	3,4
EU exposure/exports of goods and services	(%)		10,4	13,6	9,2
IMF arrangements					
Type			EFF	EFF	-
(Date)			(05/96-05/99)	(05/96-05/99)	
On track			yes	yes	
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			B2	B2	B3
S&P long-term foreign currency rating (end of period)			none	none	none
Euromoney			09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		142	117 127	142 140
(number of countries)			(180)	(180) (180)	(180) (185)
The Institutional Investor					03/00 09/00
Position in the ranking			none	none	122 125
(number of countries)					(145) (145)
Credit rating	(3)		none	none	16.0 15.8

Footnotes

(1) (2) (3) See explanatory notes.

(4) Preliminary estimate

Country-risk indicators					
Country: Tajikistan					
		footnotes	1998	1999	2000 (prel.)
Real GDP growth rate	(%)		5,3	3,7	5,0
Industrial production	(% change)		8,2	5,0	n.a.
Unemployment (end of period)	(% of labour force)		3,0	3,1	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)		2,7	31,3	61,0
Exchange rate (end of period)	(Somoni per USD)		1,0	1,4	2,2
General government balance	(% of GDP)		-3,8	-3,1	-1,2
Balance of payments					
Exports of goods and services	(m USD)		586	666	741
Current account balance	(% of GDP)		-9,3	-3,4	-5,7
Net inflow of foreign direct investment	(m USD)		24	21	30
Official reserves, including gold (end of period)					
m USD			65	58	78
months' imports of goods and services			1,5	1,7	1,9
External debt					
Convertible currency external debt (end of period)	(m USD)		1193	1214	1179
Convertible currency debt service	(m USD)		66	54	87
principal	(m USD)		n.a.	n.a.	n.a.
interest	(m USD)		n.a.	n.a.	n.a.
External debt/GDP	(%)		93,0	118,0	117,0
External debt/exports of goods and services	(%)		203,6	182,3	159,0
Debt service/exports of goods and services	(%)		16,0	13,5	18,9
Arrears (on both interest and principal)	(m USD)		n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m USD)		n.a.	n.a.	n.a.
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	0,6	0,5	0,5
EU exposure/external debt	(%)		5,2	4,8	4,3
EU exposure/exports of goods and services	(%)		10,5	8,8	6,9
IMF arrangements					
Type			ESAF	ESAF	PRGF
(Date)			(07/98-06/99)	(07/98-06/99)	(10/00-09/01)
On track			yes	yes	yes
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			none	none	none
S&P long-term foreign currency rating (end of period)			none	none	none
Euromoney				03/99 09/99	03/00 09/00
Position in the ranking	(2)		134	139 142	172 176
(number of countries)			(180)	(180) (180)	(180) (185)
The Institutional Investor					03/00 09/00
Position in the ranking	(2)		none	none	128 130
(number of countries)					(145) (145)
Credit rating	(3)		none	none	12.9 14.2

Footnotes

(1) (2) (3) See explanatory notes.

(4) Preliminary estimates.

Country-risk indicators Country: Ukraine					
		footnotes	1998	1999	2000
Real GDP growth rate	(%)		-1,7	-0,4	4,5
Industrial production	(% change)		-1,4	4,3	11,0
Unemployment (end of period)	(% of labour force)		2,9	4,6	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)		20,0	19,2	27,1
Exchange rate (end of period)	(Hryvnia per USD)		3,4	5,2	5,4
General government balance (4)	(% of GDP)		-2,8	-2,4	-1,5
Balance of payments					
Exports of goods and services	(m USD)		17621	16230	17712
Current account balance	(% of GDP)		-3,1	2,7	4,8
Net inflow of foreign direct investment	(m USD)		747	489	680
Official reserves, including gold (end of period)					
m USD			782	1090	1150
months' imports of goods and services			0,6	0,8	0,8 (5)
External debt					
Convertible currency external debt (end of period)	(m USD)		11700	11879	10368
Convertible currency debt service	(m USD)		2449	1964	2373
principal	(m USD)		934	860	1039
interest	(m USD)		1515	1104	1334
External debt/GDP	(%)		27,4	39,0	36,2
External debt/exports of goods and services	(%)		66,4	73,2	58,5
Debt service/exports of goods and services	(%)		13,9	12,1	13,4
Arrears (on both interest and principal)	(m USD)		none	none	yes
Debt relief agreements and rescheduling	(m USD)		yes	yes	yes
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	3,3	3,3	2,9
EU exposure/external debt	(%)		2,7	3,1	3,1
EU exposure/exports of goods and services	(%)		1,8	2,3	1,8
IMF arrangements					
Type			EFF	EFF	EFF
(Date)			(07/98-06/01)	(09/98-03/01)	(09/98-03/01)
On track			no	no	yes
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			B3	Caa1	Caa1
S&P long-term foreign currency rating (end of period)			none	none	none
Euromoney			09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		118	126 129	134 115
(number of countries)			(180)	(180) (180)	(180) (185)
The Institutional Investor			03/98 09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		105 108	112 110	113 117
(number of countries)			(136) (136)	(136) (136)	(145) (145)
Credit rating	(3)		20.5 19.8	17.2 18.7	18.1 17.7

Footnotes

- (1) (2) (3) See explanatory notes.
(4) On a cash basis and showing privatisation revenues as a financing item.
(5) As of end-November 2000.

Country-risk indicators					
Country: Algeria					
		footnotes	1998	1999	2000 (4)
Real GDP growth rate	(%)		5,1	3,3	4,3
Industrial production	(% change)		7,2	1,0	7,0
Unemployment (end of period)	(% of labour force)		~30	~30	~30
Inflation rate (CPI) (Dec/Dec)	(% change)		5,0	2,6	4,0
Exchange rate (end of period)	(Dinars per USD)		60,4	69,3	71,0
General government balance	(% of GDP)		-3,6	-0,4	0,3
Balance of payments					
Exports of goods and services	(m USD)		10100	12300	19400
Current account balance	(% of GDP)		-1,9	0,0	6,1
Net inflow of foreign direct investment	(m USD)		500	460	650
Official reserves, including gold (end of period)					
m USD			6800	4400	9600
months' imports of goods and services			7,6	4,6	9,4
External debt					
Convertible currency external debt (end of period)	(m USD)		30665	28300	26800
Convertible currency debt service	(m USD)		4525	4871	4656
principal	(m USD)		3143	n.a.	n.a.
interest	(m USD)		1993	n.a.	n.a.
External debt/GDP	(%)		64,9	59,1	47,9
External debt/exports of goods and services	(%)		303,6	230,1	138,1
Debt service/exports of goods and services	(%)		44,8	39,6	24,0
Arrears (on both interest and principal)	(m USD)		none	none	none
Debt relief agreements and rescheduling	(m USD)		455	none	none
Indicators of EU exposure					
EU exposure/total EU exposure	(%)	(1)	7,2	8,7	2,1
EU exposure/external debt	(%)		2,3	3,4	0,9
EU exposure/exports of goods and services	(%)		6,9	7,8	1,2
IMF arrangements					
Type			EFF	CCFF	-
(Date)			(05/95-05/98)	(05/1999)	
On track			yes	yes	
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)			none	none	none
S&P long-term foreign currency rating (end of period)			none	none	none
Euromoney			09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		103	113 117	99 96
(number of countries)			(180)	(180) (180)	(180) (185)
The Institutional Investor			03/98 09/98	03/99 09/99	03/00 09/00
Position in the ranking	(2)		97 96	93 93	91 81
(number of countries)			(136) (136)	(136) (136)	(145) (145)
Credit rating	(3)		25.1 25.8	25.2 26.5	27.7 33.1

Footnotes

(1) (2) (3) See explanatory notes.

(4) Preliminary estimates.